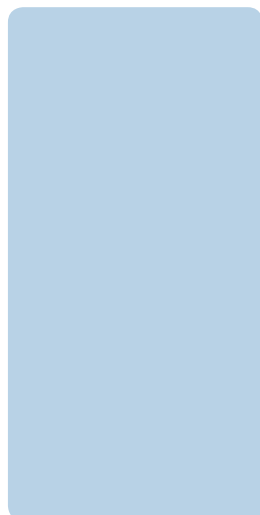


First half-year  
2011



# Report for the first half 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 27,000 contracts with companies, municipalities and public enterprises. Vital Forsikring ASA is a wholly owned subsidiary of DnB NOR.

Vital recorded pre-tax profits of NOK 1,030 million for the first half of 2011, an improvement of NOK 815 million compared to the same period in 2010.

At the end of the first half-year Vital achieved a recorded return of 3.3 per cent and a value-adjusted return of 2.1 per cent on the common portfolio.

Allocations to policyholders totalled NOK 6.4 billion, which was NOK 3.0 billion more than the guaranteed rate of return of NOK 3.4 billion.

Total assets as at 30 June 2011 were NOK 256.5 billion, an increase of NOK 9.0 billion since year-end 2010.

The half-year accounts show:

- Pre-tax operating profits of NOK 1,030 million
- A sound capital base, aggregate solvency capital of NOK 24.4 billion, solvency margin capital 61 per cent above the minimum requirement and a capital adequacy ratio of 9.6 per cent
- Market value adjustment reserve of NOK 101 million
- Allocations of NOK 193 million to cover the required increase in provisions for increased longevity, of which NOK 67 million debited to the owner
- 3.6 per cent increase in total assets since year-end 2010
- 17.7 per cent increase in total premium income
- Positive net transfers

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

## Market

Vital is the market leader in life and pension insurance in Norway with a 29.8 per cent share of the total market for policyholders' funds at 31 March 2011, compared to 29.6 per cent at year-end 2010. In the corporate sector, Vital had 41.2 per cent of the market for municipal group defined benefits pensions, compared to 42.4 per cent at 31 December 2010. In the area of municipal group pensions, Vital's market share increased from 9.8 per cent at year-end 2010 to 10.9 per cent at the end of the first quarter of 2011. In the retail market, the company's share increased from 52.2 per cent at the end of the fourth quarter of 2010 to 53.1 per cent at the end of this year's first quarter. The company's share of the defined contribution pension market was reduced from 28.8 per cent at year-end 2010 to 28.7 per cent at 31 March 2011.

## Premium income

Premium income totalled NOK 13.7 billion (11.6) in the first half of the year, an increase of 17.7 per cent compared to the same period last year. Premium income for group pension insurance totalled NOK 11.1 billion (9.5), an increase of 17.6 per cent. Aggregate premium reserves received for group pension insurance from other companies came to NOK 3.2 billion (2.2), while premiums due for group pension business increased by NOK 0.6 billion, corresponding to 9.4 per cent.

The retail market continues to be characterised by competition from alternative forms of saving. Premium income in the first half-year rose by 18.4 per cent to NOK 2.5 billion (2.1). Of the aggregate premium income from the retail market, insurance schemes with a choice of investment profile (unit linked) accounted for NOK 0.3 billion (0.3).

In the first half-year Vital recorded positive net transfers of NOK 1.8 billion (0.7). In the public sector market, the net result was positive transfers of NOK 1.9 billion.

## Payments to policyholders and claims

Payments to policyholders and claims related to disability and mortality in the first half-year came to NOK 5.2 billion (5.0). Surrenders of products with a guaranteed rate of return amounted to NOK 0.9 billion (0.9), while surrenders of products with a choice of investment profile came to NOK 0.4 billion (0.5).

## Financial return

The recorded and value-adjusted return on the common portfolio in the first half-year was 3.3 per cent (2.1) and 2.1 per cent (1.4), excluding value changes related to bonds held to maturity.

The yield on short-term bonds was 2.3 per cent (5.1) at the end of the first half-year, with Norwegian bonds providing 2.1 per cent (4.8) and foreign bonds 2.7 per cent (5.7).

The second quarter saw a fairly sharp decline in interest rates, and 10-year U.S. Treasury bond rates have fallen by 31 basis points. The corresponding figures for Norwegian and European rates are 42 and 32 basis points, respectively. The falling rates have resulted in a good yield on the bond portfolio which showed an overall rise of 2.4 per cent in the second quarter.

Held-to-maturity bonds provided a yield of 2.5 per cent (2.5) in the first half-year.

The stock markets declined in the second quarter due to lower expectations of growth in the global economy and uncertainty

about government finances in Greece. Vital's equity portfolio fell by 1.9 per cent in the second quarter. Norwegian equities fell by 4.7 per cent and international equities (excluding hedge funds and private equity) fell by 1.0 per cent.

Real estate showed a return of 3.5 per cent in the first half-year (2.8) while the value of the real estate investment portfolio increased by NOK 0.3 billion.

The company portfolio achieved a return of 2.6 per cent (0.7) in the first half-year. The company capital is part of the buffer capital which safeguards policyholders' funds.

The return on Vital's defined contribution pension portfolios in the first half-year was 2.1 per cent (0.6) for Vital 30, 2.2 per cent (minus 1.3) for Vital 50 and 2.4 per cent (minus 4.4) for Vital 80.

### Expenses

Operating expenses totalled NOK 778 million (740) in the first half-year. The number of employees in permanent, full-time positions with Vital Forsikring ASA as at 30 June was 704. In addition, the company had 76 temporary employees. In the second quarter the overall number of full-time positions fell by 27.

### Results

Calculated in accordance with IFRS, pre-tax profits so far this year have improved by NOK 815 million to NOK 1,030 million. According to NGAAP the improvement was NOK 853 million. Taxable income has been calculated at 24 per cent. Since no additional allocations were applied in the second quarter, the result was the same under both IFRS and NGAAP.

Gains and dividends on equities which are covered by the exemption model, including the return from real estate companies, are tax-free income for Vital. At the same time, the allocation of this return to policyholders' funds is tax deductible. Years with a good return within the scope of the exemption model will therefore provide Vital with taxable income. In conformity with IFRS, deferred tax related to real estate owned by Vital companies is not recognised in the accounts. In 2011, because of these factors, it is expected that Vital will have taxable income corresponding to 24 per cent of pre-tax profits. The expected effective rate of tax reflects an expected positive return under the exemption model and the change for the year in the unrecognised deferred tax liability.

The financial result for the first half-year was a profit of NOK 7.3 billion (4.0) while the risk result was negative at minus NOK 135 million (minus 211). An allocation of NOK 193 million (486) was made to provisions for increased longevity under individual annuity and pension insurance and group association pension insurance, and of which NOK 67 million (269) was charged to the owner. The administration result was negative at minus NOK 21 million (minus 31). At the end of the first half-year the market value adjustment reserve totalled NOK 101 million (0).

### Capital adequacy and solvency capital

The capital adequacy ratio reflects the company's primary capital as a proportion of the risk-weighted balance sheet. At the end of June 2011 the capital adequacy ratio was 9.6 per cent (10.3), and at

the end of March 2011 it was 10.3 per cent. The change was mainly due to a reduction in the level of subordinated loan capital and the accounting effect of a group contribution made. The statutory minimum requirement is a capital adequacy ratio of 8 per cent.

Solvency capital, which safeguards the policyholders' premium reserve, consists of the interim profit, the market value adjustment reserve, added value of held-to-maturity bonds, additional allocations, security reserves, equity and subordinated loan capital.

As at 30 June 2011 solvency capital totalled NOK 24.4 billion (21.0), while at year-end 2010 it was NOK 24.5 billion. The change was mainly due to higher profits for distribution and a reduction in the market value adjustment reserve.

As at 30 June 2011 solvency capital amounted to 11.8 per cent (10.9) of insurance allocations (excluding additional allocations), compared to 11.9 per cent at the end of the first quarter. Buffer capital, which is equity in excess of the statutory minimum requirement, additional allocations, the market value adjustment reserve and unallocated profits, amounted to NOK 9.1 billion at 30 June 2011, compared to NOK 11.2 billion at the end of 2010.

### Future prospects

The results for the second quarter reflect the relative instability that has been a feature of the finance markets. Historically, it has always taken a long time to recover from a financial crisis, and larger or smaller fluctuations in the pace of growth are a typical feature of this process. In this respect, the current process of recovery is no exception. At the same time, the risk picture makes it likely that volatile markets will continue to be a fact of life throughout 2011. As part of the DnB NOR Group, Vital has a strong capital base making it well placed to handle the expected fluctuations.

Vital is taking active steps to adapt to changes in the regulatory environment. The Banking Law Commission has recently been focusing on paid-up policies. Vital supports the work being done to make paid-up policies an attractive product, also after the introduction of new solvency regulations (Solvency II) from 2013.

A bill has been introduced proposing a new disability pension and a retirement pension for the disabled. Under these proposals, those who become disabled will be assured of a disability pension largely in line with current regulations, or better. It will also be easier to combine disability pension and work, while at the same time ensuring that the disabled receive a good retirement pension. The new disability pension and a new retirement pension for the disabled are planned to take effect in 2015. In this connection, Vital will again be underlining the importance of establishing good advisory concepts and adapting the product portfolio.

Vital believes that pension-related issues will continue to be a matter of increasing public interest and that this will provide a sound basis for further growth.

6 July 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	
30 Jun 2010	30 Jun 2011		30 Jun 2011	30 Jun 2010
		<i>Amounts in NOK millions</i>		
9,228	10,300	Premiums due, gross	10,300	9,228
(67)	(78)	- Reinsurance premiums paid	(78)	(67)
2,446	3,444	Transfer of customer premium reserves from other insurance companies/pension schemes	3,444	2,446
<b>11,607</b>	<b>13,666</b>	<b>Premium income for own account</b>	<b>13,666</b>	<b>11,607</b>
0	920	Income from investments in subsidiaries, associated companies and joint ventures	920	848
3,356	3,851	Interest income and dividends, etc. on financial assets	3,851	3,642
871	1	Net operating income from property	1	2
(2,569)	(2,858)	Changes in value of investments	(2,858)	(2,831)
1,010	2,549	Realised profits and losses on investments	2,549	1,007
<b>2,668</b>	<b>4,462</b>	<b>Net income from investments in the common portfolio</b>	<b>4,462</b>	<b>2,668</b>
51	49	Interest income and dividends, etc. on financial assets	49	51
313	(568)	Changes in value of investments	(568)	313
96	26	Realised profits and losses on investments	26	96
<b>461</b>	<b>(493)</b>	<b>Net income from investments in investment choice portfolio</b>	<b>(493)</b>	<b>461</b>
<b>1</b>	<b>13</b>	<b>Other insurance-related income</b>	<b>13</b>	<b>1</b>
(6,415)	(6,523)	Claims paid	(6,523)	(6,415)
(6,444)	(6,556)	Gross	(6,556)	(6,444)
30	33	- Reinsurance share of claims paid	33	30
(62)	(123)	Change in reserves for claims	(123)	(62)
(62)	(133)	Gross	(133)	(62)
0	10	- Change in reinsurance portion for claims reserves	10	0
(1,855)	(1,742)	Transfer of customer premium reserves, additional statutory reserves and market value adjustment reserves to other insurance companies/pension schemes	(1,742)	(1,855)
<b>(8,332)</b>	<b>(8,388)</b>	<b>Claims for own account</b>	<b>(8,388)</b>	<b>(8,332)</b>
(5,078)	(6,776)	Change in premium reserve	(6,776)	(5,078)
(5,030)	(6,718)	To (from) premium reserve, gross	(6,718)	(5,030)
(48)	(58)	- Change in Reinsurance portion of premium reserve	(58)	(48)
34	51	Change in additional statutory reserves	51	34
1,306	2,490	Change in market value adjustment reserve	2,490	1,306
(77)	(86)	Change in premium fund, deposit reserve and pensioners' surplus fund	(86)	(77)
(185)	(229)	Change in technical reserves for property and casualty insurance business	(229)	(185)
(185)	(229)	To (from) technical reserves for property and casualty insurance business	(229)	(185)
119	56	Transfer of additional statutory reserves and market value adjustment reserves from other insurance companies/pension schemes	56	119
<b>(3,880)</b>	<b>(4,494)</b>	<b>Changes in insurance liabilities through income statement – Contractually established obligations</b>	<b>(4,494)</b>	<b>(3,880)</b>
(908)	(188)	Change in premium reserve	(188)	(908)
9	(2)	Change in other reserves	(2)	9
<b>(899)</b>	<b>(190)</b>	<b>Changes in insurance liabilities through income statement – special investment choice</b>	<b>(190)</b>	<b>(899)</b>
(568)	(2,484)	Surplus from return result	(2,486)	(568)
(19)	(17)	Risk result assigned insurance contracts	(17)	(19)
(3)	(454)	Other assignment of profit	(452)	(3)
<b>(590)</b>	<b>(2,955)</b>	<b>Funds assigned insurance contracts – contractually established obligations</b>	<b>(2,955)</b>	<b>(590)</b>
(893)	(920)	Insurance-related operating costs	(920)	(893)
(18)	(48)	Other insurance-related costs	(48)	(18)
<b>123</b>	<b>652</b>	<b>Result from technical account</b>	<b>652</b>	<b>123</b>

# Income statement continued

VITAL FORSIKRING GROUP			VITAL FORSIKRING ASA	
30 Jun 2010	30 Jun 2011	Amounts in NOK millions	30 Jun 2011	30 Jun 2010
		<b>NON-TECHNICAL ACCOUNT</b>		
(2)	15	Income from investments in subsidiaries, associated companies and joint ventures	13	9
237	271	Interest income and dividends, etc. on financial assets	271	237
(2)	42	Changes in value of investments	42	(2)
(135)	95	Realised profits and losses on investments	95	(135)
<b>98</b>	<b>423</b>	<b>Net income from investments in company portfolio</b>	<b>421</b>	<b>109</b>
26	51	Other income	35	0
(70)	(96)	Management costs and other costs associated with company portfolio	(78)	(55)
<b>54</b>	<b>378</b>	<b>Result from non-technical account</b>	<b>378</b>	<b>54</b>
<b>177</b>	<b>1,030</b>	<b>Profit before taxes</b>	<b>1,030</b>	<b>177</b>
(62)	253	Tax cost	253	(62)
<b>115</b>	<b>1,283</b>	<b>Result before other profit components</b>	<b>1,283</b>	<b>115</b>
0	0	Other profit components	0	0
<b>115</b>	<b>1,283</b>	<b>TOTAL RESULT</b>	<b>1,283</b>	<b>115</b>
		<b>Notes:</b>		
38	0	Use of additional allocations	0	38
(13)	0	Tax effect of use of additional allocations	0	(13)
<b>139</b>	<b>1,283</b>	<b>Result</b>	<b>1,283</b>	<b>139</b>

# Balance sheet

VITAL FORSIKRING GROUP			VITAL FORSIKRING ASA	
30 Jun 2010	30 Jun 2011		30 Jun 2011	30 Jun 2010
		<i>Amounts in NOK millions</i>		
<b>ASSETS IN COMPANY PORTFOLIO</b>				
287	248	Intangible assets	248	287
<u>Subsidiaries, associated companies and joint ventures</u>				
7	3	Shares and other equity investments in subsidiaries, associated companies and joint ventures	67	70
0	32	Receivables and securities issued by subsidiaries, associated companies and joint ventures	32	7
<u>Financial assets measured at fair value</u>				
13,150	2,761	Shares and other equity investments (incl. shares and other equity investments measured at cost)	2,761	13,150
6	12,789	Bonds and other fixed-income securities	12,789	6
3	1	Loans and receivables	1	3
62	3	Financial derivatives	3	62
12	20	Other financial assets	20	12
<b>13,241</b>	<b>15,609</b>	<b>Investments in company portfolio</b>	<b>15,673</b>	<b>13,310</b>
329	344	Receivables	281	273
782	748	Other assets	609	666
41	22	Pre-paid expenses and earned, non-received income	22	41
<b>14,680</b>	<b>16,971</b>	<b>Total assets in company portfolio</b>	<b>16,833</b>	<b>14,576</b>
<b>ASSETS IN CUSTOMER PORTFOLIOS</b>				
<u>Buildings and other real estate</u>				
33,327	36,143	Investment properties	59	69
<u>Subsidiaries, associated companies and joint ventures</u>				
14	21	Shares and other equity investments in subsidiaries, associated companies and joint ventures	36,381	16,450
0	0	Receivables and securities issued by subsidiaries, associated companies and joint ventures	0	18,054
<u>Financial assets measured at amortised cost</u>				
66,707	69,285	Hold to maturity investments	69,285	66,707
<u>Financial assets measured at fair value</u>				
36,194	44,044	Shares and other equity investments (incl. shares and other equity investments measured at cost)	44,044	36,194
53,062	55,105	Bonds and other fixed-income securities	55,105	53,062
8,341	5,492	Loans and receivables	5,492	8,341
1,077	2,287	Financial derivatives	2,287	1,077
10,202	3,897	Other financial assets	3,276	9,579
<b>208,923</b>	<b>216,275</b>	<b>Investments in common portfolio</b>	<b>215,930</b>	<b>209,532</b>
<u>Financial assets measured at fair value</u>				
18,660	13,403	Shares and other equity investments (incl. shares and other equity investments measured at cost)	13,403	18,660
0	8,238	Bonds and other fixed-income securities	8,238	0
2,489	2,048	Loans and receivables	2,048	2,489
<b>21,149</b>	<b>23,689</b>	<b>Investments in investment choice portfolio</b>	<b>23,689</b>	<b>21,149</b>
<b>230,072</b>	<b>239,964</b>	<b>Total assets in customer portfolios</b>	<b>239,619</b>	<b>230,681</b>
<b>244,751</b>	<b>256,935</b>	<b>Total assets</b>	<b>256,451</b>	<b>245,257</b>



# Balance sheet continued

VITAL FORSIKRING GROUP			VITAL FORSIKRING ASA	
30 Jun 2010	30 Jun 2011	Amounts in NOK millions	30 Jun 2011	30 Jun 2010
<b>EQUITY AND LIABILITIES</b>				
<i>Share capital subscribed</i>				
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
7,065	8,885	Other accrued earnings	8,885	7,065
<b>7,637</b>	<b>10,001</b>	<b>Total accrued earnings</b>	<b>10,001</b>	<b>7,637</b>
<b>2,541</b>	<b>2,472</b>	<b>Subordinated loan capital, etc.</b>	<b>2,472</b>	<b>2,541</b>
<b>Insurance liabilities in life insurance – contractually established obligations</b>				
185,062	197,805	Premium reserve	197,805	185,062
5,286	5,389	Additional statutory reserves	5,389	5,286
0	101	Market value adjustment reserves	101	0
1,738	1,991	Claims reserves	1,991	1,738
5,848	7,674	Premium fund, deposit reserve and pensioners' surplus fund	7,674	5,848
358	430	Other technical reserves for property and casualty insurance business	430	358
<b>198,293</b>	<b>213,390</b>	<b>Total insurance liabilities in life insurance – Contractually established obligations</b>	<b>213,390</b>	<b>198,293</b>
<b>Insurance liabilities in life insurance – special investment choice portfolio</b>				
19,883	21,596	Premium reserve	21,596	19,883
8	4	Supplementary provisions	4	8
1,258	2,089	Premium fund, deposit reserve and pensioners' surplus fund	2,089	1,258
<b>21,149</b>	<b>23,689</b>	<b>Total insurance liabilities in life insurance - Special investment choice portfolio</b>	<b>23,689</b>	<b>21,149</b>
266	748	Reserves for liabilities	696	199
11,477	3,470	Liabilities	3,039	11,291
0	0	Liabilities to subsidiaries and associated companies	0	759
894	669	Accrued expenses and received, non-earned income	669	894
<b>244,751</b>	<b>256,935</b>	<b>Total equity and liabilities</b>	<b>256,451</b>	<b>245,257</b>
<b>Key figures</b>				
Return on capital in the common portfolio			3.3%	2.1%
Value-adjusted return from the common portfolio			2.1%	1.4%
Capital ratio			9.6%	10.3%

For the Group, the eligible primary capital was NOK 11,730 million, risk-weighted volume NOK 122,108 million and the capital adequacy was 9.6 per cent.

# Notes to the accounts

## NOTE 1: ACCOUNTING PRINCIPLES

The interim accounts for Vital Forsikring ASA include subsidiaries and associated companies entered in accordance with the equity method. The second 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		1,283	1,283
Group contribution		(1,200)	
<b>Balance at 30 June 2011</b>	<b>2,496</b>	<b>10,001</b>	<b>12,497</b>

## CASH FLOW ANALYSIS

Amounts in NOK millions

	1st Half 2011	1st Half 2010
<b>Cash flow from operational activities</b>		
Net receipts from premiums/premium fund	8,428	8,942
Net receipts/payments from transfers	1,741	680
Net receipts from investments	6,564	5,252
Payment from life insurance with investment choice	146	212
Other insurance-related receipts	(379)	(1,244)
Compensation payments	(6,236)	(6,160)
<b>A=Net cash flow from operational activities</b>	<b>10,263</b>	<b>7,682</b>
<b>Cash flow from investments made</b>		
Net investment in shares and other equity investments	(6,347)	(6,670)
Net investment in bonds and loans	(3,537)	895
Net investment in investment contracts	(775)	(641)
Net investment in other financial assets	1,914	378
Net investment in tangible fixed assets and in intangible assets	(38)	(51)
<b>B=Net cash flow from investments made</b>	<b>(8,784)</b>	<b>(6,088)</b>
<b>Cash flow from financing activities</b>		
Paid dividend/group contributions	213	0
Changes from other financing activities	(789)	186
<b>C=Net cash flow from financing activities</b>	<b>(576)</b>	<b>186</b>
Net liquidity change (A+B+C)	903	1,781
Liquidity holding as at 01 January	4,729	3,893
<b>Liquidity holding as at 30 June</b>	<b>5,632</b>	<b>5,673</b>

## Business address:

### Vital Forsikring ASA

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 N-5147 Fyllingsdalen  
 Norwegian Organisation Number: 914782007

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 N-1366 Lysaker

– a member of the DnB NOR Group