



Report of the third 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 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 274 million (IFRS) in the nine months to 30 September 2011, a reduction of NOK 859 million from the year-earlier period.

The negative development has resulted in a marked decline in the overall value-adjusted and recorded return. However, all of the portfolios continue to have a positive recorded return. There are also sufficient additional allocations to cover the shortfall in the recorded return in order to meet the guaranteed rate of return. The development nevertheless means that the contribution to profits from portfolios with profit sharing will have to be reversed in the third quarter.

At the end of the third quarter Vital achieved a recorded return of 1.7 per cent and a value-adjusted return of 0.4 per cent on the common portfolio.

Allocations to policyholders totalled NOK 5.2 billion, which was NOK 0.1 billion more than the guaranteed rate of return of NOK 5.1 billion.

At 30 September 2011 Vital had total assets of NOK 255.2 billion, an increase of NOK 7.8 billion since year-end.

Main features of the accounts at the end of the third quarter:

- Pre-tax operating profits of NOK 274 million (IFRS)
- Negative development in the financial market in the third quarter
- A sound capital base, aggregate solvency capital of NOK 20.7 billion, solvency margin capital 54 per cent above the requirement and a capital adequacy ratio of 9.8 per cent
- Allocations of NOK 225 million to cover the required increase in provisions for increased longevity, all of which was charged to the owner
- 3.1 per cent increase in total assets since year-end
- 18.8 per cent increase in total premium income
- Net inflow of transfers

Norwegian life insurance companies are not permitted to apply additional allocations in the interim accounts. Before additional allocations of NOK 1,586 million, Vital's result in its corporate accounts was minus NOK 1,312 million.

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 nine months of 2010 are shown in brackets.

Market

Vital is the market leader in life and pension insurance in Norway with a 29.7 per cent share of the total market for policyholders' funds at 30 June 2011, compared to 29.6 per cent at year-end 2010. In the corporate sector, Vital had 41.3 per cent of the market for private group defined benefits pensions, compared to 42.4 per cent at year-end 2010. In the area of municipal group pensions, Vital's market share increased from 9.8 per cent at year-end 2010 to 10.8 per cent at 30 June 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 53.0 per cent at the end of this year's second quarter. The company's share of the defined contribution pension market increased from 28.8 per cent at year-end 2010 to 28.9 per cent at 30 June 2011.

Premium income

Premium income totalled NOK 19.7 billion (16.6) in the first nine months of the year, an increase of 18.8 per cent compared with the corresponding period last year. Premium income for group pension insurance totalled NOK 15.8 billion (13.6), an increase of 16.2 per cent. Aggregate premium reserves received for group pension insurance from other companies came to NOK 4.2 billion (3.0), while premiums earned for group pension business increased by NOK 1.0 billion, corresponding to 9.8 per cent.

The retail market continues to be characterised by competition from alternative forms of saving. Premium income increased by 30.8 per cent to NOK 3.8 billion (2.9) in the first nine months of the year. Of the aggregate premium income from the retail market, insurance schemes with a choice of investment profile (unit linked) accounted for NOK 0.4 billion (0.4).

In the first nine months of the year Vital recorded positive net transfers of NOK 2.1 billion (0.8). 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 nine months of the year came to NOK 7.9 billion (7.5). Surrenders of products with a guaranteed rate of return amounted to NOK 1.5 billion (1.3), while surrenders of products with a choice of investment profile came to NOK 0.6 billion (0.8).

Financial return

The recorded and the value-adjusted return on the common portfolio at the end of the third quarter was 1.7 per cent (3.8) and

0.4 per cent (4.0), respectively, excluding value changes related to bonds held to maturity.

The yield on short-term bonds was 5.8 per cent (7.5) at the end of the third quarter, with Norwegian bonds providing 4.9 per cent (6.2) and foreign bonds 7.2 per cent (9.5).

Government bond rates fell sharply in the third quarter, with 10-year US government bonds down 124 basis points. The corresponding figures for Norwegian and European government bonds were a decline of 103 and 114 basis points, respectively. The falling rates have resulted in a good yield on the bond portfolios which showed an overall rise of 3.4 per cent in the third quarter.

Held-to-maturity bonds provided a yield of 3.8 per cent (3.7) in the first nine months of the year.

The concerns about future growth that dominated the second quarter continued in the third quarter and strengthened as the summer progressed. August was characterised by considerable market unrest, with investors abandoning risky assets in favour of safer investments. One consequence of this was a sharp decline in the global stock market. Vital's equity portfolio fell by 15.9 per cent in the third quarter, with Norwegian equities 17.4 per cent down and international equities (excluding hedge funds and private equity) ending the period 15.7 per cent lower.

Real estate showed a return of 5.9 per cent in the first nine months of the year (4.1), while the value of the real estate investment portfolio increased by NOK 0.4 billion.

The return on the company portfolio stood at 0.4 per cent (2.6) at the end of the third quarter. The company capital is part of the buffer capital which safeguards policyholders' funds.

The return on Vital's defined contribution pension portfolios at the end of the third quarter was minus 1.3 per cent (4.8) for Vital 30, minus 4.9 per cent (4.5) for Vital 50 and minus 10.5 per cent (3.7) for Vital 80.

As a result of dynamic risk management, the company sold equities for the net sum of approximately NOK 15.5 billion in the third quarter, of which international equities accounted for NOK 14.5 billion and Norwegian equities NOK 1 billion. The reduction of the international proportion has been achieved by selling share index futures and purchasing sales options, while the reduction in Norway was effected by selling equities.

Expenses

Operating expenses totalled NOK 1,153 million (1,111) in the first nine months of the year. The number of employees in permanent, full-time positions with Vital Forsikring ASA as at 30 September was 717. In addition, the company had 75 temporary employees. In the third quarter the overall number of full-time positions increased by 12.

Results

The pre-tax profit calculated in accordance with IFRS, after applying additional allocations, was NOK 274 million (1,133). After tax, the profit was NOK 19 million (1,133).

Calculated in accordance with NGAAP, the pre-tax accounting result was minus NOK 1,312 million (1,133). After tax, the result was minus NOK 1,122 million (1,133).

Gains and dividends on equities which are covered by the tax exemption model (within the European Economic Area), 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 tax exemption model will therefore provide Vital with taxable income, while in years with a weaker return the company will incur a tax charge. 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 a tax charge corresponding to 93 per cent of pre-tax profits. The expected effective rate of tax reflects an expected negative return under the tax exemption model, offset by the change for the year in the unrecognised deferred tax liability.

The financial result at 30 September was a profit of NOK 3.5 billion (7.7) while the risk result was positive at NOK 67 million (minus 233). An allocation of NOK 225 million (729) was made to provisions for increased longevity under individual annuity and pension insurance and group association pension insurance, all of which (255) was charged to the owner. The administration result was negative at minus NOK 30 million (minus 42). At the end of the first nine months of the year the market value adjustment reserve totalled NOK 0 (1,760).

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 end-September 2011 the capital adequacy ratio was 9.8 per cent (10.1), and at end-June 2011 it was 9.6 per cent. The change was mainly due to a reduction in the share of equities. 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 September 2011 solvency capital totalled NOK 20.7 billion (25.2), while at year-end 2010 it was NOK 24.5 billion. The change was mainly due to a reduction in the market value adjustment reserve and the application of additional allocations.

As at 30 September 2011 solvency capital amounted to 10.1 per cent (12.8) of insurance allocations (excluding additional

allocations), compared to 11.8 per cent at the end of the second 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 7.5 billion at 30 September 2011, compared to NOK 11.2 billion at the end of 2010.

Future prospects

The results for the third quarter have been affected by weak stock markets, both at home and abroad. This is a development that reflects both weaker growth internationally and a renewed focus on the debt situation in Europe. Uncertainty about the exposure of European banks to a development of this kind has created a demanding situation in the international financial markets. However, Vital has achieved a good return on both its interest rate and real estate portfolios, moderating the situation to some extent. The prospects for economic growth in an international perspective are the subject of exceptional uncertainty, indicating that stock markets will continue to be volatile and that interest rates are likely to remain low for longer than had been expected. As part of the DnB NOR Group, Vital has a strong capital base making it well placed to handle the expected fluctuations. A resolution has also been adopted to increase Vital's share capital by NOK 3 billion in October.

The process of adapting to Solvency II is proceeding as planned and discussions in Europe concerning the implementation provisions are being closely monitored.

The company's aim is to capture the market for standardised and less capital-intensive investment products, and to adapt both product development and the organisation accordingly.

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. We support the work being done to make paid-up policies an attractive pension product, also after the implementation of Solvency II. We will also be paying close attention to the steps taken by the Banking Law Commission aimed at harmonising occupational pension schemes and the pension reform.

25 October 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

30.09.10	30.09.11	Amounts in NOK millions	30.09.11	30.09.10
13,375	15,310	Premiums due, gross	15,310	13,375
(96)	(115)	– Reinsurance premiums paid	(115)	(96)
3,295	4,495	Transfer of customer premium reserves from other insurance companies/pension schemes	4,495	3,295
16,575	19,689	Premium income for own account	19,689	16,575
0	2	Income from investments in subsidiaries, associated companies and joint ventures	1,919	1,361
5,043	5,424	Interest income and dividends, etc. on financial assets	5,464	5,504
1,304	1,397	Net operating income from property	1	6
480	(7,399)	Changes in value of investments	(7,953)	(37)
1,018	1,488	Realised profits and losses on investments	1,482	1,011
7,845	913	Net income from investments in the common portfolio	913	7,845
73	71	Interest income and dividends, etc. on financial assets	71	73
752	(2,030)	Changes in value of investments	(2,030)	752
107	26	Realised profits and losses on investments	26	107
932	(1,933)	Net income from investments in investment choice portfolio	(1,933)	932
11	16	Other insurance-related income	16	11
(9,528)	(9,918)	Claims paid	(9,918)	(9,528)
(9,573)	(9,966)	Gross	(9,966)	(9,573)
45	48	– Reinsurance share of claims paid	48	45
(133)	(93)	Change in reserves for claims	(93)	(133)
(128)	(102)	Gross	(102)	(128)
(5)	9	– Change in reinsurance portion for claims reserves	9	(5)
(2,608)	(2,437)	Transfer of customer premium reserves, additional statutory reserves and market value adjustment reserves to other insurance companies/pension schemes	(2,437)	(2,608)
(12,270)	(12,448)	Claims for own account	(12,448)	(12,270)
(6,986)	(9,220)	Change in premium reserve	(9,220)	(6,986)
(6,923)	(9,108)	To (from) premium reserve, gross	(9,108)	(6,923)
(63)	(112)	– Change in Reinsurance portion of premium reserve	(112)	(63)
41	75	Change in additional statutory reserves	75	41
(453)	2,591	Change in market value adjustment reserve	2,591	(453)
(119)	(144)	Change in premium fund, deposit reserve and pensioners' surplus fund	(144)	(119)
(134)	(197)	Change in technical reserves for property and casualty insurance business	(197)	(134)
(134)	(197)	To (from) technical reserves for property and casualty insurance business	(197)	(134)
138	77	Transfer of additional statutory reserves and market value adjustment reserves from other insurance companies/pension schemes	77	138
(7,513)	(6,819)	Changes in insurance liabilities through income statement – Contractually established obligations	(6,819)	(7,513)
(1,601)	805	Change in premium reserve	805	(1,601)
11	2	Change in other reserves	2	11
(1,590)	808	Changes in insurance liabilities through income statement – special investment choice	808	(1,590)
(1,747)	(5)	Surplus from return result	(7)	(1,747)
6	(70)	Risk result assigned insurance contracts	(70)	6
(63)	(2)	Other assignment of profit	0	(63)
(1,803)	(78)	Funds assigned insurance contracts – contractually established obligations	(78)	(1,803)
(1,340)	(1,355)	Insurance-related operating costs	(1,355)	(1,340)
(8)	(91)	Other insurance-related costs	(91)	(8)
838	(1,296)	Result from technical account	(1,296)	838

Income statement continued

VITAL FORSIKRING GROUP			VITAL FORSIKRING ASA	
30.09.10	30.09.11	Amounts in NOK millions	30.09.11	30.09.10
		NON-TECHNICAL ACCOUNT		
(2)	0	Income from investments in subsidiaries, associated companies and joint ventures	16	15
328	412	Interest income and dividends, etc. on financial assets	412	328
155	(466)	Changes in value of investments	(466)	155
(118)	95	Realised profits and losses on investments	95	(118)
363	42	Net income from investments in company portfolio	58	380
44	94	Other income	50	1
(113)	(151)	Management costs and other costs associated with company portfolio	(123)	(87)
294	(15)	Result from non-technical account	(15)	294
1,133	(1,312)	Profit before taxes	(1,312)	1,133
0	189	Tax cost	189	0
1,133	(1,122)	Result before other profit components	(1,122)	1,133
0	0	Other profit components	0	0
1,133	(1,122)	TOTAL RESULT	(1,122)	1,133
		Notes:		
0	1,586	Use of additional allocations	1,586	0
0	(444)	Tax effect of use of additional allocations	(444)	0
1,133	19	Result	19	1,133

Use of additional allocations is not permitted in the interim accounts. Under the rules for annual accounts NOK 1,586 million could be covered from additional allocations which would give a profit before tax of NOK 19 million.

Balance sheet

VITAL FORSIKRING GROUP

VITAL FORSIKRING ASA

30.09.10	30.09.11	Amounts in NOK millions	30.09.11	30.09.10
		ASSETS IN COMPANY PORTFOLIO		
262	246	Intangible assets	246	262
		<u>Subsidiaries, associated companies and joint ventures</u>		
17	3	Shares and other equity investments in subsidiaries, associated companies and joint ventures	70	80
0	11	Receivables and securities issued by subsidiaries, associated companies and joint ventures	11	0
		<u>Financial assets measured at fair value</u>		
13,515	2,708	Shares and other equity investments (incl. shares and other equity investments measured at cost)	2,708	13,515
3	12,653	Bonds and other fixed-income securities	12,653	3
8	18	Loans and receivables	18	8
34	6	Financial derivatives	6	34
12	28	Other financial assets	28	12
13,589	15,427	Investments in company portfolio	15,494	13,652
351	346	Receivables	326	302
744	708	Other assets	566	627
42	32	Pre-paid expenses and earned, non-received income	32	42
14,988	16,759	Total assets in company portfolio	16,663	14,885
		ASSETS IN CUSTOMER PORTFOLIOS		
		<u>Buildings and other real estate</u>		
33,784	37,494	Investment properties	56	67
		<u>Subsidiaries, associated companies and joint ventures</u>		
14	14	Shares and other equity investments in subsidiaries, associated companies and joint ventures	38,044	17,044
0	0	Receivables and securities issued by subsidiaries, associated companies and joint ventures	0	18,077
		<u>Financial assets measured at amortised cost</u>		
67,853	69,677	Hold to maturity investments	69,677	67,853
		<u>Financial assets measured at fair value</u>		
38,697	38,347	Shares and other equity investments (incl. shares and other equity investments measured at cost)	38,347	38,697
54,460	57,550	Bonds and other fixed-income securities	57,256	54,460
5,062	5,437	Loans and receivables	5,437	5,062
2,211	1,499	Financial derivatives	1,467	2,211
5,871	6,175	Other financial assets	5,570	5,090
207,953	216,193	Investments in common portfolio	215,855	208,562
		<u>Financial assets measured at fair value</u>		
19,577	11,686	Shares and other equity investments (incl. shares and other equity investments measured at cost)	11,686	19,577
0	8,853	Bonds and other fixed-income securities	8,853	0
2,326	2,173	Loans and receivables	2,173	2,326
21,903	22,712	Investments in investment choice portfolio	22,712	21,903
229,856	238,905	Total assets in customer portfolios	238,567	230,465
244,844	255,664	Total assets	255,230	245,350

Balance sheet continued

VITAL FORSIKRING GROUP			VITAL FORSIKRING ASA	
30.09.10	30.09.11	Amounts in NOK millions	30.09.11	30.09.10
		EQUITY AND LIABILITIES		
		<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
2,496	2,496	Total paid in equity	2,496	2,496
137	414	Fund for unrealised profits	414	137
407	661	Risk equalisation fund	661	407
28	0	Administration reserve	0	28
8,083	6,520	Other accrued earnings	6,520	8,083
8,654	7,595	Total accrued earnings	7,595	8,654
2,498	2,485	Subordinated loan capital, etc.	2,485	2,498
		Insurance liabilities in life insurance – contractually established obligations		
188,126	197,521	Premium reserve	197,521	188,126
5,271	5,360	Additional statutory reserves	5,360	5,271
1,760	0	Market value adjustment reserves	0	1,760
1,818	2,016	Claims reserves	2,016	1,818
4,943	6,183	Premium fund, deposit reserve and pensioners' surplus fund	6,183	4,943
308	395	Other technical reserves for property and casualty insurance business	395	308
202,226	211,475	Total insurance liabilities in life insurance – Contractually established obligations	211,475	202,226
		Insurance liabilities in life insurance – special investment choice portfolio		
20,575	20,311	Premium reserve	20,311	20,575
3	14	Supplementary provisions	14	3
1,325	2,387	Premium fund, deposit reserve and pensioners' surplus fund	2,387	1,325
21,903	22,712	Total insurance liabilities in life insurance – Special investment choice portfolio	22,712	21,903
238	864	Reserves for liabilities	812	170
5,767	5,978	Liabilities	5,595	5,579
0	0	Liabilities to subsidiaries and associated companies	0	761
1,062	2,059	Accrued expenses and received, non-earned income	2,059	1,062
244,844	255,664	Total equity and liabilities	255,230	245,350
		Key figures		
		Return on capital in the common portfolio	1.7%	3.8%
		Value-adjusted return from the common portfolio	0.4%	4.0%
		Capital ratio	9.8%	10.1%

For the Group, the eligible primary capital was NOK 11,688 million, risk-weighted volume NOK 119,105 million and the capital adequacy 9.8 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 third 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. 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
Balance at 31 December 2009	2,496	7,522	10,018
Result for the year		2 396	2,396
Balance at 31 December 2010	2,496	9,918	12,413
Result for the period		(1,122)	(1,122)
Group contribution		(1,200)	(1,200)
Balance at 30 September 2011	2,496	7,595	10,091

CASH FLOW ANALYSIS	VITAL FORSIKRING ASA		VITAL FORSIKRING GROUP	
	January – September 2011	January – September 2010	January – September 2011	January – September 2010
<i>Amounts in NOK millions</i>				
Cash flow from operational activities				
Net receipts from premiums/premium fund	14,198	8,942	14,198	8,942
Net receipts/payments from transfers	2,068	680	2,068	680
Net receipts from investments	6,858	5,252	6,858	5 252
Payment from life insurance with investment choice	262	212	262	212
Other insurance-related receipts	(965)	(1,244)	(965)	(1 244)
Compensation payments	(9 655)	(6,160)	(9,655)	(6 160)
A=Net cash flow from operational activities	12,766	7,682	12 766	7 682
Cash flow from investments made				
Net investment in shares and other equity investments	(6,796)	(6,670)	(5,383)	(6 670)
Net investment in bonds and loans	(4,610)	895	(4,610)	895
Net investment in investment contracts	(1,265)	(641)	(1,265)	(641)
Net investment in other financial assets	(87)	378	(1,905)	378
Net investment in tangible fixed assets and in intangible assets	(60)	(51)	(60)	(51)
B=Net cash flow from investments made	(12,818)	(6,088)	(13,223)	(6 088)
Cash flow from financing activities				
Paid dividend/group contributions	213	0	213	0
Changes from other financing activities	(13)	186	(13)	186
C=Net cash flow from financing activities	200	186	200	186
Net liquidity change (A+B+C)	149	1,781	(257)	1,781
Liquidity holding as at 01 January	4,729	3,893	5,289	3,893
Liquidity holding as at 30 September	4,877	5,673	5,032	5,673

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– a member of the DnB NOR Group