

Third Quarter Report 2006



"The tuba is
not for me,
that´s for sure..."

Ole Edvard, 11 years old

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Vital Forsikring ASA and Vital Link AS (Vital), which make up the life and pension business area in DnB NOR, have strengthened their position as the largest pension savings and life insurance company in Norway so far in 2006.

The profit before allocation was NOK 3,968 million, from which the estimated allocation to the policyholders is NOK 2,889 million and the profit before tax is NOK 1,079 million.

As of 30 September 2006, the total assets, including Vital Link, were NOK 212.1 billion, an increase of 5.2 per cent since the turn of the year.

The accounts as of Q3 2006 show:

- High premium income
- Growth in total assets
- Good return
- Strengthened market position

In the following, comparable figures for Q3 2005 are stated in parentheses.

Premium income

Vital Forsikring ASA and the unit-linked company Vital Link AS had a premium income of NOK 18.0 billion in the first six months of 2006 (17.2). This is up 5.0 per cent compared with the same period last year.

Vital Forsikring ASA had a premium income of NOK 14.8 billion (15.4), down 4.5 per cent.

For group pensions, the premium income was NOK 9.0 billion (8.7), up 2.6 per cent. Total received premium reserve for group pension from other companies amounted to NOK 1.4 billion (2.1).

9,295 businesses (1,531) had signed defined-contribution pension agreements with Vital by the end of Q3. Total membership in these defined-contribution schemes was approx. 224,000 (approx. 44,000). The customer funds were NOK 1,785 million (908).

In the individual market, total premium income for Vital Forsikring and Vital Link was NOK 8.6 billion (8.2), up 4.5 per cent compared with the same period last year. Of the total premium income, Vital Link contributed NOK 2.8 billion (1.5), up 87.1 per cent, while Vital Forsikring contributed NOK 5.8 billion (6.7), down 13.7 per cent. Lower premium income was primarily due to reduced sale of capital market products. The strong increase in the sale of unit linked products shows a renewed interest in pension savings schemes with various investment options.

As of Q3, Vital Forsikring and Vital Link had a net transfer of negative NOK 2.7 billion (positive 1.4). Several major conversions from life insurance schemes to pension fund schemes contributed to negative net transfers.

Insurance payments

Insurance payments amounted to NOK 13.3 billion (8.6). There has been an increase in both insurance disbursements and in transfer of reserves to other insurance companies as compared with the same period last year.

Financial income

Vital Forsikring's value-adjusted financial profit was NOK 8.6 billion (10.0). Excess returns were achieved in all asset categories, with the exception of international bonds, where the asset management yielded a result in line with the general market development. Increasing interest rates in the first three quarters of the year yield a long-term positive effect in the valuation of Vital's customer liabilities.

Reported return as of Q3 was 4.9 per cent (5.2). Value-adjusted return, excluding value changes in the long-term securities portfolio, was 4.5 per cent (6.0). Including changes in the long-term securities portfolio, the return was 3.6 per cent (5.6).

Vital's return from short-term bonds was 1.1 per cent at the end of Q3. The return is divided between 1.5 per cent from Norwegian bonds and 0.3 per cent from foreign bonds. As of 30 September, the return from Norwegian shares was 12.9 per cent, while foreign shares were up 6.8 per cent. Real estate and long-term bonds yielded returns of 9 and 4 per cent, respectively.

The securities adjustment reserve were reduced by NOK 0.5 billion to NOK 5.0 billion in the first three quarters of 2006, due to gain realisation in the portfolios and increased interest rates both domestically and abroad. Vital's strategy is to exploit a positive buffer capital situation to allocate satisfactory results to policyholders and the owners, also in periods with a somewhat weaker value-adjusted return. This may, in some periods, cause fluctuation in the size of the securities adjustment reserve.

Costs

The operating costs in Vital Forsikring, including the treasury management, were NOK 1,105 million, which is up 10.0 per cent from the same period last year. The increase is primarily due to commissions as a result of increased sales, as well as increased treasury management fees as a result of growth in volume.

Profit

The profit for allocation in Vital Forsikring ASA was NOK 3,987 million (4,109). The changed profit is due to lower book financial return. The profit before tax was NOK 1,098 million (937). The profit after tax was NOK 1098 million. Final allocation of the profit between customers, equity and tax will be determined in connection with the preparation of the annual accounts for 2006.

The risk deficit was NOK 54 million (profit of 42) and the administrative deficit was NOK 63 million (68).

Capital adequacy ratio

The capital adequacy ratio is an expression of the company's equity and subordinated capital as a percentage of risk-weighted volume. As of 30 September 2006, the capital adequacy ratio was 10.2 per cent (12.6). The minimum required capital adequacy ratio is 8 per cent.

Solvency capital

The solvency capital, which protects the policyholder's premium reserve, may consist of interim profits, securities adjustment reserve, added value in long-term securities, additional allocations, equity, subordinated loans and security reserve. With the exception of parts of the securities reserve, the solvency capital can be used to fulfil the return guarantee on the insurance funds.

As of 30 September 2006, the solvency capital was NOK 24.2 billion, while it was NOK 22.4 billion as of 31 December 2005. Reductions in the securities adjustment reserve and the added values of the long-term securities portfolio contributed to reducing the solvency capital, while the profit so far in 2006 added to it. As of 30 September 2006, the solvency capital made up 14 per cent of the insurance-related allocations (excluding additional allocations and securities reserve), compared with 13.6 per cent at the turn of the year.

Buffer capital, i.e. equity beyond the statutory minimum, additional allocations, securities adjustment reserve and not allocated profit, was NOK 14.6 billion as of 30 September 2006, compared with NOK 11.6 billion at the turn of the year.

Other information

Figures from the Norwegian Financial Services Organisation show that Vital strengthened its position as market leader in the first half of 2006 with a market share for total customer assets of 35.8 per cent. As regards defined-benefit pension schemes, the market share has increased from 33.1 per cent as of 31 December 2005, to 35.4 per cent at the end of the first six months of 2006. In the individual market, the market share increased from 51 per cent at the turn of the year to 52.3 per cent as of 30 June 2006.

At the end of Q3, Vital had recorded approx. 7,000 Mandatory Occupational Pension (OTP) agreements in its accounts, encompassing approx. 128,000 members. The good sales results for OTP continue into the fourth quarter. Although the pension earning started 1 July 2006, there are still many businesses which have not yet entered into an agreement with a pension provider. The final deadline for entering into a Mandatory Occupational Pension agreement is 31 December 2006.

A merger between Vital Forsikring and Vital Link is planned to take effect from 1 January 2007. The merger is expected to be formally approved and registered in February 2007.

In the National Budget of 6 October 2006, the Government made a proposal to remove the tax advantages of private pension savings through IPA (Individual Pension Agreements), effective as of 12 May 2006, and for life annuity effective as of 1 January 2007. The Board of Directors in Vital regrets this proposal. The proposed changes entail that there will be no tax incentives which contribute to long-term pension savings. Independently of the proposal, Vital will launch new savings products in Q4 2006 which are expected to contribute to good sales in the individual market.

Vital has applied for a license to establish business activities in Lithuania and Latvia. The business activities will initially include just a few products aimed at the individual market. Distribution of these products will take place through DnB NOR's established branch network in these countries. Start-up is scheduled for the first half of 2007.

Vital will start selling employee insurance in the corporate market in Q4.

Outlook

Vital expects continued growth in the pension savings market in the years ahead. Growth will come both through occupational pension schemes and through increased individual pension savings.

Vital Forsikring aims to achieve competitive return over time and to be in a position to assume necessary risk. The company's buffer capital is considered to be sufficient to handle fluctuations in the financial markets. Increased interest rate levels generate a long-term positive effect for Vital's customer liabilities. More than 40 per cent of the balance sheet is invested in long-term bonds and real estate, which yield good and safe return over time.

Vital aims to continue growing and delivering good results to its policyholders and owners. Central measures will be to continue and develop cost-efficient operations as well as strengthening customer service and customer relations. Vital is a sought-after employer and places strong emphasis on attracting and keeping skilled employees. Through exploiting the wide range of DnB NOR's distribution network, Vital will be able to reach all customer groups.

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

Bergen, 25 October 2006

The Board of Directors, Vital Forsikring ASA

Accounts

Vital Forsikring ASA

(NOK mill.)	As of Q3		Full year
	2006	2005	2005
PROFIT AND LOSS ACCOUNT			
Premium income	14 754	15 445	22 057
Income from financial assets	14 329	12 726	17 407
Other insurance-related income	0	5	0
Insurance payments	(11 923)	(7 327)	(10 100)
Changes in insurance-related provisions	(6 647)	(11 498)	(17 875)
Insurance-related operating costs	(932)	(880)	(1 235)
Costs related to financial assets	(5 916)	(2 783)	(3 519)
Other insurance-related costs	(52)	(98)	(486)
To/from securities adjustment reserve	465	(1 404)	(1 966)
Other costs	(92)	(76)	(104)
Profit before allocation	3 987	4 109	4 180
Assets allocated to policyholders	(2 889)	(3 172)	(3 008)
Profit from ordinary activities	1 098	937	1 172
Tax costs	0	28	400
Profit after tax	1 098	965	1 572

BALANCE SHEET	As of 30 Sept- ember 2006	As of 30 Sept- ember 2005	As of 31 Dec- ember 2005
Intangible assets	292	167	236
Financial assets **)	190 208	172 986	181 340
Receivables	1 048	2 559	1 161
Other assets	1 338	2 331	2 494
Prepaid expenses and earned, not received income	2 658	2 514	2 737
Total assets	195 543	180 556	187 968
Called up and fully paid equity	2 343	2 343	2 343
Retained earnings	5 910	5 777	4 812
Trust preferred stock	225	225	225
Subordinated loan capital	2 255	2 258	2 274
Securities adjustment reserve	5 038	4 942	5 503
Insurance-related provisions	177 136	163 471	169 166
Provisions for commitments	869	623	869
Liabilities	1 646	718	2 461
Accrued expenses and received, not earned income	122	200	315
Total equity and liabilities	195 543	180 556	187 968
Added value long-term bonds	1 615	3 586	3 268

**) Of which

Shares and units	43 209	30 302	32 638
Short-term bonds and certificates	60 874	71 000	74 220
Long-term bonds	60 761	50 846	51 246
Lending	339	342	364
Real estate	25 026	20 496	22 872
Financial assets	190 208	172 986	181 340

Key figures

	As of Q3		Full year
	2006	2005	2005
Return on capital	4.9%	5.2%	7.3%
Value-adjusted return, excl. changes in value of long-term securities portfolio	4.5%	6.0%	8.3%
Capital adequacy	10.2%	12.6%	11.7%

Accounts

Vital - Life and pension

(NOK mill.)	As of Q3		Full year
	2006	2005	2005
RESULTATREGNSKAP			
Premium income	18 028	17 175	24 856
Income from financial assets	14 342	12 734	17 423
Income from life insurance assets with investment options	1 153	1 976	2 521
Other insurance-related income	1	6	1
Insurance payments	(13 329)	(8 557)	(11 764)
Changes in insurance-related provisions	(9 353)	(13 773)	(21 246)
Insurance-related operating costs	(1 244)	(1 067)	(1 516)
Costs related to financial assets	(5 928)	(2 795)	(3 535)
Costs related to life insurance assets with investment options	(22)	(3)	(11)
Other insurance-related costs	(52)	(99)	(487)
To/from securities adjustment reserve	465	(1 404)	(1 966)
Other costs	(92)	(76)	(104)
Profit before allocation	3 968	4 117	4 174
Assets allocated to policyholders	(2 889)	(3 172)	(3 008)
Profit from ordinary activities	1 079	945	1 166
Tax costs	5	26	452
Profit after tax	1 084	971	1 618

BALANCE SHEET	As of 30 Sept- ember 2006	As of 30 Sept- ember 2005	As of 31 Dec- ember 2005
Intangible assets	389	214	333
Financial assets	190 279	173 083	181 437
Assets in life insurance with investment options	16 005	12 016	13 136
Receivables	1 176	2 664	1 293
Other assets	1 579	2 559	2 695
Prepaid expenses and earned, not received income	2 699	2 541	2 767
Total assets	212 127	193 077	201 661
Called up and fully paid equity	2 496	2 466	2 466
Retained earnings	5 997	5 838	4 913
Trust preferred stock	225	225	225
Subordinated loan capital	2 350	2 353	2 369
Securities adjustment reserve	5 038	4 942	5 503
Insurance-related provisions	177 143	163 477	169 172
Provisions in life insurance with investment options	16 005	12 016	13 136
Provisions for commitments	869	624	870
Liabilities	1 882	936	2 693
Accrued expenses and received, not earned income	122	200	315
Total equity and liabilities	212 127	193 077	201 661

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