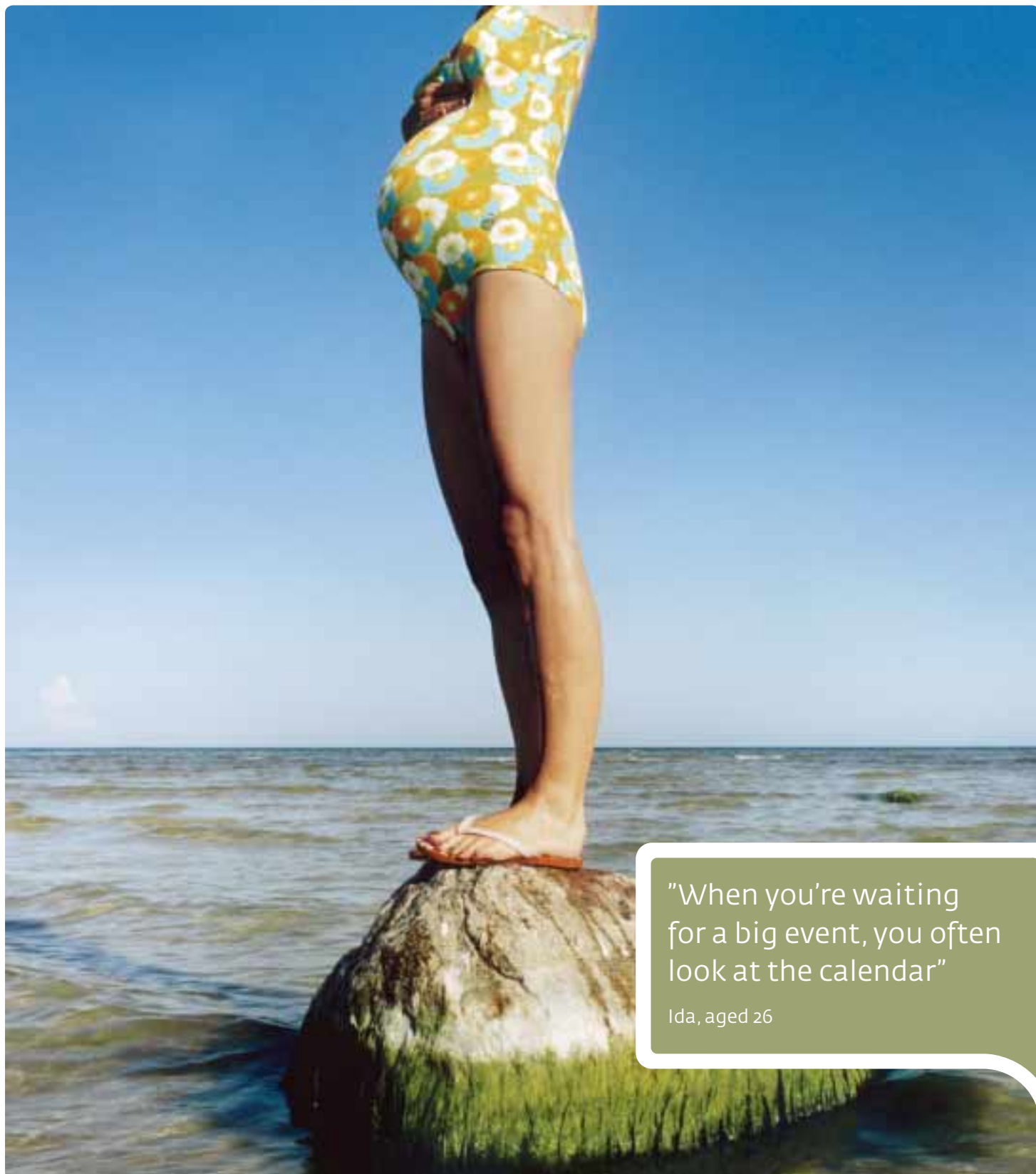


Half-year report 2005



"When you're waiting for a big event, you often look at the calendar"

Ida, aged 26

First Quarter Report 2005

In the first half of 2005, Vital Forsikring ASA and Vital Link AS (Vital) which together represent the life insurance and pension business of the DnB NOR Group, reinforced their position as Norway's largest company in the area of pension saving and life insurance.

The half-year results presented by Vital Forsikring ASA reflect value appreciation in the stock markets and the low level of interest rates. Before allocations, the profit was NOK 219 million, with NOK 1 536 million for allocation to the policyholders and NOK 583 million to the owner and taxes. The profit after tax was NOK 600 million.

The value-adjusted return, excluding changes in the value of long-term securities, was 3.3 per cent (3.2) in the first half-year. Including changes in the portfolio of long-term securities, the return was 3.4 per cent (3.2). The return on book values was 3.1 per cent (3.7).

Total assets at 30 June 2005, including Vital Link, amounted to NOK 186 billion, 6.1 per cent up on the year-end figure.

The accounts for the first half of 2005 show:

- A high level of premium income – sound growth in premiums written for guaranteed products
- An increase in total assets
- A net inflow of transfers
- A satisfactory financial return

Vital can report good progress in most major markets in the first half of 2005. Vital is the market leader with 34.9 per cent of the market for customer funds at the end of the first quarter, according to the Norwegian Financial Services Association.

In the following, comparative pro forma figures for the first half of 2005 appear in brackets.

Premium income

Vital Forsikring ASA and Vital Link AS had combined premium income of NOK 10.8 billion (12.6) in the first half of 2005. Reserves received from other companies totalled NOK 2.5 billion (3.8) and net inflows amounted to NOK 1.5 billion (2.4). Premium growth has been generally strong, and the decline this year reflects the fact that last year's corresponding figure included one major transfer of business to Vital.

Premium income received by Vital Forsikring ASA was 1 per cent higher at NOK 10.8 billion (10.7). Premium written for group pension business totalled NOK 5.2 billion (4.3), a rise of 20 per cent, while aggregate group pension reserves received from other companies totalled NOK 1.9 billion (2.9).

At the end of the first half-year, 1 432 companies had established defined contribution based pension schemes with Vital, an increase of 35 per cent since year-end. The number of members covered by schemes of this kind has risen by 38 per cent since year-end and now totals around 43 000. Since year-end, customer funds have risen by 56 per cent to NOK 779 million.

In the individual market, premiums received by Vital Forsikring and Vital Link totalled NOK 4.8 billion (4.9), 2 per cent down on the high level of premium income recorded in the corresponding period last year. Of the total premium income received from the individual market, Vital Forsikring accounted for NOK 3.8 billion (3.0), an increase of 25 per cent, while Vital Link (unit linked products) accounted for NOK 1.0 billion (1.9), a reduction of 46 per cent. Vital increased its share of the unit linked market in the first quarter of 2005. The reduction in premium income was due to generally lower demand for unit linked products in the market. The low level of interest rates contributed to greater interest in products with a guaranteed return.

Together, Vital Forsikring and Vital Link recorded a net inflow of transfers totalling NOK 1.5 billion (2.4) in the first quarter.

Insurance payments

Insurance payments totalled NOK 5.7 billion (5.5). The figures show that payments to policyholders were up on the same period last year, with a reduction in transfers of reserves to other insurers.

Financial income

The value-adjusted financial return for Vital Forsikring was NOK 5.5 billion (4.9).

The return in all classes of assets out-performed the reference indices, except for foreign bonds.

The aggregate return on equities was 11.5 per cent, with the Norwegian portfolio providing a return of 20.2 per cent and foreign equities 7.6 per cent. Real estate provided a return of 3.4 per cent, while the yield on the long-term bond portfolio was 2.8 per cent. The bond portfolio showed an overall yield of 3.4 per cent, with Norwegian bonds providing 3.3 per cent and foreign bonds 3.5 per cent.

Costs

Vital Forsikring's operating expenses, including financial management costs, totalled NOK 691 million (688).

Results

The accounts of Vital Forsikring ASA show a profit of NOK 219 million for allocation (2 336), the decline being due to a lower financial return on book values. The pre-tax profit was NOK 583 million (509). The final allocation of the profit between policyholders, equity and tax will be determined in connection with consideration of the annual accounts for 2005

The ordinary risk result was a profit of NOK 118 million (-95), while the overall risk result was a profit of NOK 7 million (-257).

The administration result was a loss of NOK 67 million, compared with a loss of NOK 69 million in the same period last year.

Capital adequacy

The capital ratio is the ratio of the capital base to the company's risk weighted total assets. At 30 June 2005 the capital ratio stood at 12.8 per cent, against 14.1 per cent at year-end 1984. The decline was due to an increase in total assets and a higher proportion of shareholdings. The statutory minimum requirement is a capital ratio of 8 per cent.

Capital base

The capital base 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 base can be used to cover the interest rate guarantee on policyholders' funds.

At 30 June 2005 the capital base amounted to NOK 22.4 billion, compared with NOK 19.6 billion at year-end 2004. The increase was mainly due to profits during the period, changes in the securities adjustment reserve and unrealised gains on long-term securities. At 30 June 2005 the capital base corresponded to 14.4 per cent of insurance allocations (excluding additional allocations and the security reserve), against 13.3 per cent at year-end.

At the end of the period, buffer capital – by which is meant equity in excess of the statutory minimum capital ratio, additional allocations, the securities adjustment reserve and the unallocated profit – amounted to NOK 10.9 billion, against NOK 8.6 billion at year-end 2004.

Other matters

In June 2005, Posten Norge AS decided to enter into exclusive final negotiations with Vital concerning a new defined contribution based pension scheme covering 26 000 members and with estimated annual premiums in excess of NOK 200 million. To date, this is by far the largest defined contribution based pension scheme in the market. In May 2005 Stortinget (the Norwegian Parliament) passed the Pension Reform Act which sets out the guidelines for the Norwegian pension system in the future. The Reform Act itself will come into force from 2010. As part of consideration of the Reform, it was decided to introduce a compulsory occupational pension scheme in Norway with effect from 2006. A minimum scheme will be introduced for the approximately 600 000 employees who are not already members of an occupational pension scheme.

The integration process following the merger of Gjensidige NOR Spareforsikring and Vital Forsikring in March 2004 continued as planned in the first half of 2005. In the period 2004 – 2006 synergies worth NOK 200 million will be realised and the number of full-time positions will be reduced by 150. By 30 June 2005 roughly half of the targeted synergies had been realised. The main focus in the first half of the year has been directed at co-ordination of the customer service units related to the corporate, individual and public sector markets, and conversion of customer data to a common IT system.

The first half-year saw further work to bring the companies activities into line with amendments of the Insurance Activity Act which were approved by Stortinget (the Norwegian Parliament) in October 2004. The main changes are expected to come into force in 2007. The new legislation will entail considerable changes for the life companies, but Vital is well prepared for the new regulatory environment.

The outlook

The Pension Reform will mean considerable changes to the Norwegian pension system, and it is Vital's expectation that the Reform will contribute to increased pension saving, by both individuals and through employers.

The introduction of a compulsory occupational pension scheme aims to provide around 600 000 employees with a scheme of this kind. It is expected to create a market worth around NOK 4 billion annually. Vital is well placed to offer a compulsory occupational pension scheme to companies which do not have a pension scheme for their employees. It is likely that more local and county authorities will consider transferring their pension scheme following the decision in April 2005 that KLP Forsikring will not be reorganised as a joint stock company but will continue as a mutual company.

Vital Forsikring's objective is to achieve a competitive return over time and be in a position to assume the risks it considers necessary. The company's buffer capital is considered to be sufficient to meet fluctuations in the financial markets. Vital's asset base has been adapted to a market that is expected to be characterised by low interest rates in the period ahead, with long-term bonds and real estate accounting for 40 per cent of the company's investments, which will provide a good and secure return.

Vital's aim is to maintain growth and provide good results for its customers and owner. Central to this process is the work of maintaining and developing cost-efficient and profitable operations as well as strengthening customer service and forging closer customer relationships. By making full use of the breadth of the DnB NOR Group's distribution network Vital will be able to reach all customer groups.

Vital is intent on reinforcing its position in the period ahead as the largest company in Norway in the field of pension saving and life insurance.

Bergen, 5 August 2005, The Board of Directors of Vital Forsikring ASA

Accounts

Vital Forsikring ASA

(NOK mill.)	First half-year		Year
	2005	2004	2004
PROFIT AND LOSS ACCOUNT			
Premium income	10 768	10 706	19 096
Income from financial assets	7 311	8 838	19 554
Other insurance-related income	27	57	265
Insurance payments	(4 815)	(4 983)	(10 661)
Change in insurance reserves	(8 243)	(8 172)	(13 231)
Insurance-related operating costs	(608)	(615)	(1 200)
Costs related to financial assets	(1 815)	(3 969)	(8 888)
Other insurance-related costs	(26)	(62)	(479)
To/from securities adjustment reserve	(428)	586	(1 090)
Other costs	(51)	(51)	(97)
Profit before allocation	2 119	2 335	3 269
Profit allocated to policyholders	(1 536)	(1 827)	(2 033)
Profit from ordinary activity	583	509	1 236
Tax cost	17	(86)	64
Profit after tax	600	423	1 300

BALANCE SHEET	At 30.06.05	At 30.06.04	At 31.12.04
Intangible assets	195	317	240
Financial assets **)	167 724	147 175	158 387
Accounts receivable	2 699	4 069	1 924
Other assets	1 875	5 209	1 714
Prepaid costs and accrued income	2 044	2 084	2 726
Total assets	174 537	158 853	164 991
Paid up equity	2 343	2 343	2 343
Retained profit	5 412	3 935	4 812
Capital loan	225	225	225
Subordinated loan capital	2 257	2 394	2 224
Securities adjustment reserve	3 966	1 862	3 538
Insurance reserves	158 541	145 131	149 790
Provisions for commitments	633	842	651
Liabilities	718	1 925	844
Accrued costs and prepaid income	442	195	565
Total liabilities and equity	174 537	158 853	164 991
Unrealised capital gains	4 183	2 961	3 935

**) of which

Shareholdings and investments	27 335	22 689	24 554
Short-term bonds and commercial paper	70 359	51 896	59 899
Long-term bonds	50 515	54 619	54 172
Lendings	349	357	352
Real estate	19 167	17 613	19 410
Financial assets	167 724	147 175	158 387

Key ratios

	First half-year		Year
	2005	2004	2004
Return on total assets	3.1%	3.7%	6.5%
Value-adjusted return excl. changes in value of long-term securities	3.3%	3.2%	7.1%
Capital ratio	12.8%	13.1%	14.1%

Accounts

Vital - Life and Pension

(NOK mill)	First half-year		Year
Profit and loss account	2005	2004	2004
Premium income	11 918	12 642	22 132
Income from financial assets	7 318	8 845	19 562
Income from assets related to Unit Linked insurance business	898	389	754
Other insurance-related income	28	57	266
Insurance payments	(5 666)	(5 524)	(11 895)
Change in insurance reserves	(9 303)	(9 825)	(15 536)
Insurance-related operating costs	(738)	(739)	(1 439)
Costs related to financial assets	(1 826)	(3 975)	(8 897)
Costs related to Unit Linked insurance business	(5)	(5)	(8)
Other insurance-related costs	(26)	(62)	(479)
To/from securities adjustment reserve	(428)	586	(1 092)
Other costs	(51)	(51)	(97)
Profit before allocation	2 117	2 338	3 272
Profit allocated to policyholders	(1 536)	(1 827)	(2 033)
Profit from ordinary activity	581	512	1 239
Tax cost	18	(86)	78
Profit after tax	599	426	1 317

Balance sheet	At 30.06.05	At 30.06.04	At 31.12.04
Intangible assets	243	359	292
Financial assets	167 874	147 214	158 457
Assets related to Unit Linked insurance business	10 766	8 942	9 741
Accounts receivable	2 874	4 219	2 052
Other assets	2 078	5 318	1 846
Prepaid costs and accrued income	2 071	2 117	2 757
Total assets	185 906	168 169	175 145
Paid up equity	2 466	2 441	2 443
Retained profit	5 466	3 976	4 864
Trust preferred stocks	225	225	225
Subordinated loan capital	2 352	2 464	2 494
Securities adjustment reserve	3 966	1 862	3 538
Insurance reserves	158 547	145 136	149 796
Provisions Unit Linked insurance business	10 766	8 942	9 741
Provisions for commitments	634	843	651
Liabilities	1 043	2 085	1 028
Accrued costs and prepaid income	442	195	565
Total liabilities and equity	185 906	168 169	175 145

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