

European Embedded Value 2006

Supplementary information - 22 February 2007



Contents

European Embedded Value 31.12.2006	3
Introduction	3
European Embedded Value at 31.12.2006	4
European Embedded Value Profit	5
New Business	7
EEV Sensitivities	7
Methodology and assumptions	9
EEV Restatement 31.12.2005	9
Financial assumptions	10
Cost of Capital	12
In-force business and new business	12
Participating business/profit sharing	13
Time value of options and guarantees – stochastic modelling	13
Risk Discount Rate	14
Expenses	14
Other Actuarial Assumptions	14
Reconciliation to IFRS Equity	15
Statement of Directors	15
Appendix A: Disclaimer	16
Appendix B: Deloitte opinion	17
Appendix C: Glossary	18

European Embedded Value 31.12.2006

This report gives supplementary information regarding European Embedded Value of Vital Forsikring ASA and Vital Link AS.

Main conclusions:

- Embedded value as at 31 December 2006 of NOK 16,205 million after net dividend of NOK 2,018 million.
- Adopting the European Embedded Value (EEV) principles, the restated embedded value of Vital Forsikring ASA and Vital Link AS as at 31 December 2005 decreases from NOK 14,757 million to NOK 13,209 million.
- The decrease in EEV restatement at 31 December 2005 is caused by inclusion of Time Value of Options and Guarantees (TVOG), and by transfer from regulatory minimum requirements to calculating capital requirements following DnB NOR group's internal capital model. The decrease is partly off-set by a corresponding reduction in risk discount rate.
- Embedded value earnings for financial year 2006 of NOK 5,014 million, 38.0 % of opening embedded value.
- Value of new business of NOK 517 million.
- Decrease in TVOG of NOK 1,058 million (34.7 %) from 2005 to 2006, due to a significant increase in buffers and slightly higher risk-free interest rates.
- Vital's EEV calculations are compliant with CFO Forum Principles and have been reviewed by Deloitte. The opinion is enclosed in appendix B.

Introduction

This report summarizes the European Embedded Value (EEV) of Vital Forsikring and Vital Link as at 31 December 2006. Vital Forsikring and Vital Link are adopting the EEV principles published on 5 May 2004 by the CFO Forum. The intention of these principles is to improve the transparency and comparability of embedded value reporting across Europe, which is welcomed.

The Additional Guidance on EEV Disclosures published by the CFO Forum on 31 October 2005 is also adopted in this report.

The board of directors of Vital (Vital Forsikring and Vital Link) believes that the EEV is the best method of capturing the long-term nature of the life insurance and pensions business. In particular EEV captures key value drivers such as writing profitable new business and retaining existing business. However, we do not believe the EEV report should be viewed as a substitute for Vital's financial statements and it should be read in conjunction with other publicly disclosed financial information.

A key requirement of the EEV principles is the inclusion of an appropriate allowance for aggregate risks. Vital has chosen to set risk margins based on an assessment of the weighted average cost of capital (WACC) for Vital. This WACC has been derived using well established capital asset pricing model (CAPM) methodology. TVOG has been valued explicitly.

The Embedded Value of Vital is calculated according to current Norwegian legislation. Possible impact on EEV from new legislation that will be in force from 1 January 2008 is discussed in the presentation following this report.

Value of future new business is not included in the EEV calculations.

Basis for preparation

Vital first adopts the EEV principles for the year-end 2006 EV result, hence the 2005 EV has been restated according to the new methodology. The initial adjustments are covered in the restatement later in the document.

All embedded value figures denominated in foreign currencies have been translated to NOK using the appropriate closing exchange rate.

Covered business

Business included in the EEV calculations is all group pension, individual pension and capital insurance in Vital Forsikring and Vital Link. No value is assigned to the group-life business or the non-life business.

European Embedded Value at 31.12. 2006

Table 1: EEV at 31.12.2006 split by business

NOK million	EV 2005	EEV 2005 Restatement	EEV 2006
EEV Vital Forsikring	13 845	12 163	14 082
Adjusted net asset value	5 999	5 824	6 000
Required capital	3 383	8 458	7 876
Free surplus	3 773	(1 271)	(668)
Cost of capital	(1 158)	(1 363)	(1 208)
Value of in-force	7 847	6 339	8 082
Group Pensions	5 398	6 467	7 099
Individual Pension	1 397	1 728	1 688
Individual Capital	382	408	439
Aggregate reserves	670	782	846
Time value of options and guarantees	-	(3 047)	(1 989)
EEV Vital Link	911	1 047	2 123
Adjusted net asset value	174	203	356
Required capital	168	79	113
Free surplus	39	129	250
Cost of capital	(33)	(4)	(6)
Value of in-force	737	843	1 766
Total Individual products	589	632	947
Total Defined Contribution Schemes	149	212	819
Total EEV Vital	14 757	13 209	16 205

Vital EEV as at 31 December 2006 was NOK 16,205 million after net dividend, an increase of 22.7 % compared to year-end 2005 EEV restatement figures.

For Vital Forsikring, EEV at 31 December 2006 is calculated to NOK 14,082 million after dividend of NOK 2,048 million, an increase of NOK 1,919 million (15.7 %). The growth is mainly driven by group pension business and reduction in the time value of options and guarantees.

Vital Link accounts for NOK 2,123 million, and has increased its value by 102.8 % including a NOK 30 million capital injection. The substantial increase is mainly related to defined contribution contracts.

The adjusted net asset value (ANAV) for Vital grew by 5.5 % to NOK 6,356 million, after net dividend of NOK 2,018 million.

In table 1, free surplus in Vital Forsikring appears to be negative. This simply means that the DnB NOR group chooses to hold capital at group level rather than in Vital as a legal entity. This is a technical rather than a financial issue, given that Vital is a completely owned subsidiary of the holding company.

Total present value of in-force (VIF) for Vital increases from NOK 7,182 million to NOK 9,848 million, a growth of NOK 2,666 million (37.1 %), including a reduction of TVOG from NOK 3,047 million as at 31 December 2005, to NOK 1,989 million as at 31 December 2006. The reduction is caused by a significant increase in buffers and slightly higher risk-free interest rates.

The TVOG includes the interest guarantee as well as the right of policyholders to receive a bonus participation of at least 65 % of surplus. There are no material interest guarantees in Vital Link. The stochastic model for calculating TVOG is described later in the document. No explicit allowance has been made for policyholder behaviour linked to development in capital markets, as the impact of such behaviour has been assessed immaterial.

Cost of capital (CoC) is reduced from NOK 1,367 million to 1,214 million. The reduction is caused by a different risk profile in the asset composition which has caused economic capital to fall from year-end 2005 to year-end 2006.

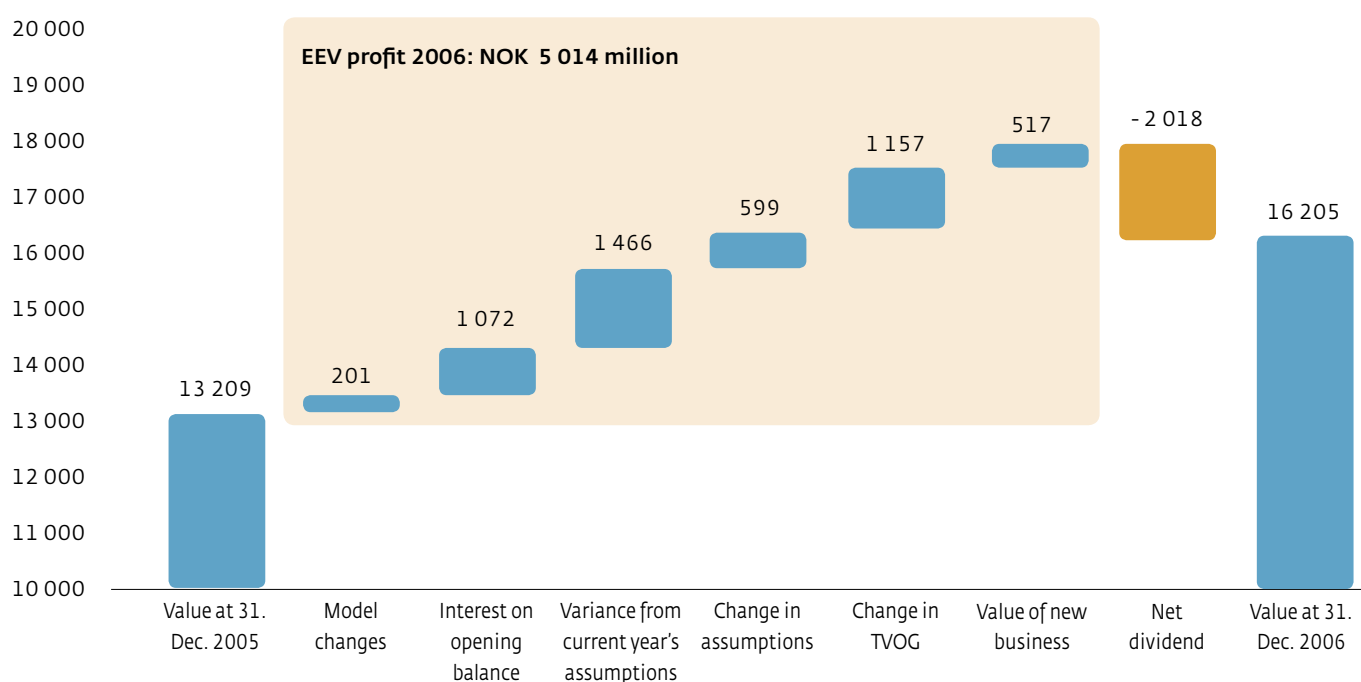
A wider analysis of 2006 EEV profit is given in the next section.

European Embedded Value Profit

Embedded value profit for Vital in 2006 was NOK 5,014 million, 38.0 % of opening balance. The most important EEV profit elements are reduction in TVOG, new business, negative tax and better 2006 performance than projected.

The graph below shows the development in EEV from 31 December 2005 restatement to 31 December 2006, for Vital Forsikring and Vital Link.

Figure 1: Analysis of change for Vital Forsikring and Vital Link



Model changes

Model changes of NOK 201 million are related to Vital Forsikring, and occur as a result of system migrations and model improvements in some areas.

Variance from current year's assumptions

There is a total increase in EEV of NOK 1,466 million due to variance from current year's assumptions. For Vital Forsikring, variance from current year's assumptions gives a positive result of NOK 926 million. This is mainly caused by negative tax (NOK 608 million) and better investment return performance in 2006 than projected.

For Vital Link, variance from current year's assumptions gives a positive result of NOK 540 million. Included in this figure is transfer of contracts valued to NOK 231 million from Vital Forsikring, which is not defined as new business. The remaining NOK 309 million relates mainly to negative tax (NOK 163 million) and stronger fund growth (and therefore higher future fund charges) than projected.

Changes in prospective assumptions

There is a total increase in EEV of NOK 599 million due to changes in prospective assumptions. For Vital Forsikring, change in assumptions amounts to NOK 309 million and relates mainly to reduced required capital from year-end 2005 to 2006. For Vital Link, changes in prospective assumptions give a positive contribution of NOK 289 million. This is mainly related to a relief in future expense assumptions for defined contribution contracts.

Reduction in TVOG

Time value of options and guarantees reduces from NOK 3,047 million at 31 December 2005 to NOK 1,989 million at 31 December 2006. The reduction is caused by 2006 buffer allocations (NOK 740 million), higher risk-free interest rates and relief in required capital (NOK 418 million) and TVOG assigned to new business (NOK -100 million). In the profit analysis, the increase in TVOG caused by new business is deducted from the new business values.

Value added by new business

New business in 2006 lifts EEV by NOK 517 million. For Vital Forsikring, EEV from new business including TVOG is calculated to NOK 367 million. Defined benefit group contracts dominate. For Vital Link, 2006 new business is calculated to NOK 150 million and relates to both individual and defined contribution products.

Table 2: Analysis of movement

Vital Forsikring	ANAV	VIF	EEV
Value at 31. Dec.2005	5 824	6 339	12 163
Model changes	(78)	279	201
Interest on opening balance	396	609	1 005
Projected surplus arising	718	(718)	-
Variance from current year's assumptions	877	50	926
Change in assumptions	374	(65)	309
Change in TVOG	-	1 157	1 157
Value of new business	(64)	431	368
Net dividend	(2 048)	-	(2 048)
Value at 31.12.2006	6 000	8 082	14 082
Vital Link	ANAV	VIF	EEV
Value at 31. Dec. 2005	203	843	1 047
Interest on opening balance	12	55	67
Projected surplus arising	108	(108)	-
Variance from current year's assumptions	78	462	540
Change in assumptions	1	288	289
Value of new business	(76)	226	150
Net dividend	30	-	30
Value at 31. Dec. 2006	356	1 766	2 123
Vital total	ANAV	VIF	EEV
Value at 31. Dec. 2005	6 027	7 182	13 209
Model changes	(78)	279	201
Interest on opening balance	408	664	1 072
Projected surplus arising	826	(826)	-
Variance from current year's assumptions	955	512	1 466
Change in assumptions	375	224	599
Change in TVOG	-	1 157	1 157
Value of new business	(140)	657	517
Net dividend	(2 018)	-	(2 018)
Value at 31. Dec. 2006	6 356	9 849	16 205

New Business

The value of new business represents the value generated by new business sold in the reporting period. The value is calculated at closing assumptions at 31 December 2006.

For Vital Link, EEV of new business is calculated to NOK 150 million. This is a significant increase from 2005 when new business was calculated to NOK 18 million. The increase in Embedded Value for new business is due to an increase for both defined contribution products and individual business. Also the new business margins for Vital Link shows a good development. This is due to increased margins both for the defined contribution products and for the individual Swedish business. There is also a slight increase in the new business margins for Vital Forsikring.

It should be noted that in the value of new business for 2006 TVOG is included, whereas this is not the case for the 2004 and 2005 calculations. In addition the risk discount rate is considerably lower for the 2006 calculations (6.46 %) than for the 2004 and 2005 calculations (8.50 %). This causes the present value of annual premiums to increase. In addition the proportion of new business annual premium written in group pension is higher in 2006 than in 2005, this will also cause the present value of annual premiums to increase.

Table 3: Value of new business

Value of new business	Vital Forsikring	Vital Link	Total life business
Present value of future profits	531	154	685
comprising			
Group Pension	389		389
Individual Pension	61		61
Individual Capital	81		81
Unit Link products		154	154
Cost of capital	(64)	(4)	(68)
Time value of options and guarantees	(100)		(100)
Value of new business	368	150	517

Table 4: New business premiums and margins for Vital Forsikring

New business premiums and margins	2004	2005	2006
Present value of future profits	346	403	368
Annual premiums	498	443	391
Group Pension	331	349	322
Individual business	167	94	69
Single premiums and transferred reserves	8 462	12 730	9 356
Group Pension	4 398	3 208	2 255
Individual business	4 064	9 522	7 100
1) Single premiums + present value of annual premiums		16 403	13 602
2) Annual premiums + single premiums/10 (APE)	1 344	1 716	1 326
New business profit margins, based on method 1		2,50 %	2,70 %
New business profit margins, based on method 2 (in % of APE)	25,74 %	23,50 %	27,72 %

Table 5: New business premiums and margins for Vital Link

New business premiums and margins	2004	2005	2006
Present value of future profits	12	18	150
Annual premiums	156	162	1 045
Single premiums and transferred reserves	2 120	1 801	2 121
1) Single premiums + present value of annual premiums		2 644	11 816
2) Annual premiums + single premiums/10 (APE)	368	342	1 257
New business profit margins, based on method 1		0,70 %	1,27 %
New business profit margins, based on method 2 (in % of APE)	3,26 %	5,30 %	11,90 %

EEV Sensitivities

The sensitivities recommended by the CFO Forum have been calculated by focusing on changing one assumption at a time. It is likely that the impact of simultaneously changing more than one assumption will be different from the sum of sensitivities.

In addition to the sensitivities recommended by the CFO Forum, an additional sensitivity with a 1.0 % upward shift in interest rate has been calculated.

The sensitivities are calculated at total level (Vital Forsikring ASA and Vital Link), and are described in detail below.

Table 6: Sensitivities for Vital Forsikring and Vital Link

Vital Forsikring and Vital Link	Total EEV	Change	Change in %	Total value of new business	Change	Change in %
Central Assumptions	16 205			517		
Risk Discount Rate +1 %	14 087	(2 118)	-13,1 %	395	(122)	-23,7 %
Interest rate – 1 %	12 765	(3 439)	-21,2 %	388	(129)	-25,0 %
Interest rate + 1 %	17 416	1 211	7,5 %	587	70	13,6 %
Equity and property market values -10 %	15 008	(1 196)	-7,4 %	510	(7)	-1,3 %
Equity and property risk premiums +1 %	17 587	1 383	8,5 %	630	112	21,7 %
10 % lower expenses	16 357	152	0,9 %	605	88	16,9 %
10 % fewer lapses	16 331	127	0,8 %	547	29	5,7 %
5 % lower mortality	16 222	18	0,1 %	518	1	0,1 %

Risk discount rate + 1.0 %

This sensitivity shows the impact of an increase in the risk discount rate. The relatively long profit horizon for defined contribution products makes this sensitivity relatively more important for new business than for total EEV.

Downward shift in risk-free rate of 100 bps:

This sensitivity shows the impact of a drop in the risk-free rate which increases the current value of fixed income assets. On the other hand, future reinvestment rates and profit for allocation between policyholders and shareholders is reduced. TVOG is substantially increased in this scenario. For Vital Link, this scenario does not include an initial change in value of funds.

Upward shift in risk-free rate of 100 bps:

As above, but with an upward shift in the risk-free rate.

10.0 % decrease in equity/property capital values

This sensitivity indicates the impact of a sudden decrease in the market values of these assets. The future return assumptions remain unchanged. For Vital Forsikring, the impact of this scenario relates to a poor result the initial year, and increased TVOG due to strain on initial buffers. For Vital Link, this scenario reduces policyholder funds and hence future fund charges.

1.0 % increase in equity/property risk premiums

This sensitivity shows the impact of an increase in equity/property risk premiums of 1 %. The risk discount rate is not affected in this scenario.

10.0 % decrease in maintenance expenses

This sensitivity is applied to the projected level of expenses. Due to profit sharing in Vital Forsikring, this sensitivity is material in Vital Link only. As a significant share of new business volume is related to unit link products, this scenario is relatively more important for new business than for total EEV.

10.0 % decrease in surrender rates

For this sensitivity, base surrender rates are multiplied by the factor 0,9.

5.0 % lower mortality

For this sensitivity, mortality rates are reduced by 5.0 %. Due to profit sharing, the impact on EEV in Vital Forsikring is very limited. Hence, no separate sensitivity is provided for assurance and annuity business. There is no material mortality/longevity risk in Vital Link.

Methodology and assumptions

EEV Restatement 31.12.2005

Restating Embedded Value for 2005 in compliance with the EEV Principles leads to a decrease in Embedded Value from NOK 14,757 million to NOK 13,209 million. The reduction is caused by inclusion of TVOG and increased lock-in cost caused by transition from regulatory requirements to internal economic capital requirements.

The change in economic assumptions relates to calculating the risk discount rate according to WACC principles. Methodologies and assumptions are described later in the report.

Table 7: 2005 Restatement

NOK million	Total	Adjusted net asset value	Value of in-force
EV 2005 reported	14 757	6 173	8 584
Model changes	2	(9)	11
Adjustments to IFRS	31	31	
Change in economic assumptions	1 634		1 634
Change in cost of capital	(168)	(168)	
Time value of options and guarantees	(3 047)		(3 047)
EEV Restatement 2005	13 209	6 027	7 182

Financial assumptions

Table 8: Financial assumptions

	EV2003	EV2004	EV2005	EEV2005	EEV2006
Risk discount rate	8,75 %	8,50 %	8,50 %	6,49 %	6,46 %
Investment return					
Hold to maturity Bonds	5,00 %	4,50 %	4,20 %	4,20 %	4,33 %
Norwegian bonds	5,00 %	4,50 %	4,20 %	4,20 %	4,33 %
International bonds	5,00 %	4,50 %	4,20 %	4,20 %	4,33 %
Norwegian equities	7,50 %	7,00 %	7,20 %	7,20 %	7,33 %
Foreign equities	7,50 %	7,00 %	7,20 %	7,20 %	7,33 %
Property	6,50 %	6,50 %	6,70 %	6,70 %	6,83 %
Money market	4,00 %	3,00 %	3,50 %	3,50 %	4,10 %
Other	4,00 %	3,00 %	3,50 %	3,50 %	3,50 %
Asset mix Vital Forsikring					
Hold to maturity Bonds	35,00 %	34,00 %	35,00 %	35,00 %	35,00 %
Norwegian bonds	11,00 %	18,00 %	13,00 %	13,00 %	13,00 %
International bonds	14,00 %	8,00 %	4,00 %	4,00 %	4,00 %
Norwegian equities	9,00 %	6,00 %	6,00 %	6,00 %	6,00 %
Foreign equities	9,00 %	12,00 %	14,00 %	14,00 %	14,00 %
Property	13,00 %	13,00 %	15,00 %	15,00 %	15,00 %
Money market	5,00 %	5,00 %	9,00 %	9,00 %	9,00 %
Other	4,00 %	4,00 %	4,00 %	4,00 %	4,00 %
Asset mix Vital Link					
Hold to maturity bonds	20,00 %	20,00 %	20,00 %	20,00 %	20,00 %
Norwegian equities	70,00 %	60,00 %	60,00 %	60,00 %	60,00 %
Money market	10,00 %	20,00 %	20,00 %	20,00 %	20,00 %
Investment return Vital Forsikring	5,56 %	5,08 %	5,08 %	5,08 %	5,25 %
Investment return Vital Link	6,65 %	5,70 %	5,86 %	5,86 %	6,08 %
Tax	16,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Salary inflation*	4,00 %	4,00 %	4,00 %	4,00 %	4,00 %
Expense inflation	3,50 %	3,50 %	3,50 %	3,50 %	3,50 %

* In 2003 and 2004 salary inflation was 3% for some products

The stochastic asset returns for calculating TVOG are based on the volatilities and correlations given in the following table.

Table 9: Volatilities and correlations

	Total	Money market	Nor. bonds	Intern. bonds	Nor. equities	Intern. equities	HTM bonds	Real estates
Money market		100 %	71 %	19 %	2 %	4 %	0 %	14 %
Norwegian bonds		71 %	100 %	53 %	1 %	3 %	0 %	18 %
International bonds		19 %	53 %	100 %	-22 %	-15 %	0 %	1 %
Norwegian equities		2 %	1 %	-22 %	100 %	64 %	0 %	33 %
International equities		4 %	3 %	-15 %	64 %	100 %	0 %	19 %
HTM bonds		0 %	0 %	0 %	0 %	0 %	100 %	0 %
Real estates		14 %	18 %	1 %	33 %	19 %	0 %	100 %
% of total balance	100,0 %	13,0 %	13,0 %	4,0 %	6,0 %	14,0 %	35,0 %	15,0 %
Expected inv. ret.	5,3 %	4,1 %	4,3 %	4,3 %	7,3 %	7,3 %	4,3 %	6,8 %
Volatility	3,3 %	0,5 %	3,3 %	2,8 %	19,4 %	14,7 %	0,2 %	5,0 %

Asset mix

The portfolio composition has been modified to reflect the long-term asset mix and full risk profile of Vital. The current level of Hold-to-Maturity (HTM) bonds and real estate is considered appropriate. The long-term average for equities is indicated at 20.0 %, which is in line with the historical allocation and risk profile in equities. The assumed equity share of 20.0 % is lower than reflected in the asset mix at 31 December 2006 (29.7 %). In the EEV calculations, a rapid alignment with normalized equity share is assumed. The assumptions for 2006 ought to give a good indication of the long term asset allocation of Vital.

Investment return

Investment returns are estimated from a risk-free rate (10 year Norwegian Government spot rate) with risk premiums added for the significant asset classes in Vital's portfolio. Correlation is estimated in the same way (long-term averages). It is worth noticing that historically, the Norwegian market has been more volatile and also produced a higher average return than the broad global markets, the domestic and international bonds and equities provide significant diversification. Total investment return in Vital Forsikring is estimated to increase from 5.08 % in 2005 to 5.25 % in 2006 due to the increase in the risk-free rate. For Vital Link, total investment return is increased from 5.90 % to 6.08 %.

Money market

Norges Bank (national bank of Norway) has increased key rates during the year 2006 and continues to signal upwards movement in the interest rates. Money market rate estimates have therefore been lifted to a market level at 31 December 2006 of 4.10 %.

Bonds

Bond returns have been estimated conservatively at the risk-free (10 year government) return.

Equities

The equity risk premium has been estimated to 3.0 %.

Property

For the property return, the assumption from last year has been maintained, with a risk premium of 2.5 % reflecting high historical performance.

Salary and expense inflation

The salary inflation is assumed to be 4.0 %. Annual wage growth in 2006 appears to be about 4.25 %, somewhat higher than expected earlier. In the long run, the wage rate growth is projected to stabilize around 4.0 % - 4.5 % p.a.

After a period of very low consumer price inflation (1.0 % - 1.5 %), there are prospects that inflation will again rise at a faster pace. Inflation is projected to pick up gradually to 2.5 % over the next three years, on the basis of the outlook in the Norwegian National Budget and inflation reports published by Norges Bank. Future expense inflation in Vital is a mixture of development in both wages and commodities. The annual expense inflation is assumed to be 3.5 %.

Tax

Due to the Exemption method the estimated tax rate is pursued at 0 % for Vital Forsikring ASA and Vital Link AS. The Exemption method makes profit and dividends from equities located inside EEA none taxable for Limited companies.

Part of the ANAV for Vital (NOK 186 million) is made up of deferred tax assets. This valuation is based on the assumption of joint taxation with the DnB NOR group. A different taxation set up could lead to another valuation.

A contingent liability with respect to taxation is mentioned in the 2006 accounts for Vital.

Cost of Capital

At any time, assets of a value equal to the applicable capital requirements must be held. This capital is not available for distribution.

There is an opportunity cost from holding the required capital. This cost of capital (CoC) is defined as the difference between the present value of the investment return after tax achieved on the assets backing the required capital, and the return required by shareholders.

In the EEV calculations, DnB NOR group's internal capital model is taken as the basis for Vital's required capital. DnB NOR has developed an internal capitalization model which models the risk in the various business areas. This is an asset based model which in effect generates the distribution of potential losses in Vital in a conservative (negative) market setting. The model measures group risk on a 99.97 percentile (0.03% risk of losing all available risk capital or more within one year). This required capital is considered to correspond broadly to an AA rating, which is the target rating of the DnB NOR group.

In this model, Vital is modelled from an ownership perspective, and the same target rating is applied to Vital on a stand-alone basis. This capital is used in the calculation of embedded value as the owner's locked-in capital as a fixed percentage of reserves over the projection period.

Regulatory capital requirements for Norwegian insurance companies consist of Solvency I requirements as well as capital requirements based on banking requirements (Basel 1). Of the two regulatory capital requirements, capital requirement based on banking regulation is currently the most rigid. While regulatory capital requirements can be met partly by sub-ordinated loan capital, additional allocations and security fund, this does not apply for the internal capital requirement.

Internal capital is calculated to be 147 % of minimum regulatory capital requirements at 31 December 2006.

The fact that new required (economic) capital is such that free surplus is negative, simply means that the DnB NOR group chooses to hold capital at group level rather than in Vital as a legal entity. This is a technical rather than a financial issue, given that Vital is a wholly owned subsidiary of the holding company.

In-force business and new business

The in-force business is defined as existing policies including future renewals on existing policies for individual business, and existing schemes for group pension.

New business is defined as new individual policies written. For group pension new schemes, schemes transferred and new members in existing schemes are all considered as new business.

Transfer of business between Vital Forsikring and Vital Link is not considered as new business.

Participating business/profit sharing

The embedded value of Vital is calculated according to current Norwegian legislation. The impact of new legislation that will be in force from 1 January 2008 is discussed in the presentation following this report.

Where profits are shared between shareholders and policyholders, Norwegian legislation limits shareholders' profit to a maximum of 35 % of total profit each year. Through competitive pressure, companies have in practice been distributing a lower proportion than this to shareholders. The method of determining shareholder profit varies between companies. The model used to apportion profits was published in the 2000 Annual Report, and has been applied in the subsequent years. The profit sharing in the EEV calculation of Vital Forsikring follows this model, as described below:

- 1) The return on equity, subordinated loan capital and the security reserve, respectively, measured as the return on total book values (net financial income after allocations to/capitalization of the securities adjustment reserve), less outlays to service subordinated loan debt and allocations to the security reserve.
- 2) 0.38 % of each customer fund (average premium reserve, additional allocations, the premium and pension adjustment fund and claims reserves).
- 3) 12 % of the actual risk premium, excluding the survivor-ship risk.

Before applying 2) and 3), above, the overall profit on the individual contracts must be at a satisfactory level.

If the statutory 35 % rule should limit the allocation to equity and tax by more than this, the return on equity is reduced until there is compliance with the 35 % rule.

The modelling methodology for the group pension products applies different profit distribution methods to active contracts and paid-up policies. For active contracts, profits for active members are assumed to be paid out immediately, with no effect on the size of the reserves for these individuals. For pensioners in group pension contracts and for paid-up policies, profits are used to increase guaranteed benefits and hence increase reserves for these individuals. The method used for paid-ups is also used for the individual business. This methodology is intended to reflect the different profit distribution methods that apply in practice.

The unit-linked business written by Vital Link has been valued by projecting future cash flows and assuming that all profits (after allowing for changes to provisions and tax) are transferred to shareholders.

Time value of options and guarantees – stochastic modelling

The time value of interest rate guarantees is estimated as the difference between (a) the shareholder value from a deterministic model using expected economic assumptions and (b) the corresponding shareholder value estimated using a model with stochastic Monte Carlo simulations.

Asset returns on several asset classes are modelled separately. Asset class returns are produced by using the 10 year Norwegian bond return plus an asset class specific risk premium. Risk premiums, volatilities and correlations for the different asset classes are based on analyses of long-term historic data. Investment return on HTM bonds and current bonds are calculated separately based on relevant bond durations and the underlying short rate process.

It is assumed that the asset mix remains constant throughout the projections.

For new business, the time value of interest rate guarantees is estimated as the difference between the main TVOG calculation and similar calculations where new business written in 2006 is excluded.

Several buffer funds operate as smoothing mechanisms, building up in profitable years and reducing when extra funds are required to protect shareholders. Unrealized gains/losses on the HTM portfolio are guided by the short rate process.

The model allows for dynamic management decisions to decide the development of additional allocations and unrealized gains fund. The underlying principles are in line with the strategies developed and executed in recent years.

No explicit allowance has been made for policyholder behaviour linked to development in capital markets, as the impact of such behaviour has been assessed immaterial.

Risk Discount Rate

The rate used to discount the future statutory shareholder profits is called the risk discount rate (RDR).

The RDR in the Vital EEV calculations is built up according to a WACC calculation. Vital's actual debt/equity ratio of 24.1% debt to 75.9% equity at the end of November is used in this calculation and was unchanged at year end 2006. An equity risk premium over the risk free rate is derived from similar observable companies against the Norwegian equity market (long-term beta approximately equal to 1). The short-term funding rate at the DnB NOR group level is taken as Cost of Debt; note that this figure is lower than the long-term risk-free rate due to the shape of the interest rate curve. The figure at the end of November 2006 is used to facilitate a smooth reporting process. The cost of debt as at year end is 20 basis points higher, due to the increase in interest rates in Norway in December. The effect of this on the RDR is approximately 5 basis points. Adoption of a RDR 5 basis points higher would lead to a decrease in the EEV of NOK 106 million based on the sensitivity analysis presented.

Table 10: Risk Discount Rate calculations

	31-12-05	31-12-06
Cost of Debt	4.26 %	3.72 %
Risk free rate	4.20 %	4.33 %
Equity Premium	3.00 %	3.00 %
Market beta	1	1
WACC	6.49 %	6.46 %

Expenses

The expense assumptions used in the valuation have been based on an allocation of Vital Forsikring's and Vital Link's 2006 costs. The expenses have further been subdivided by line of business and allocated into acquisition and maintenance expenses. The maintenance expenses are expressed as per-policy expenses and are assumed to increase with inflation.

The costs of Vital's own pension scheme are reflected on an NGAAP basis.

There are minor differences between NGAAP and IFRS. These are captured in the section "Reconciliation to IFRS Equity" later in the report.

No Service Companies profits relating to 'Covered Business' are included. No holding company expenses are included.

Other Actuarial Assumptions

The assumptions for mortality, morbidity, lapses and paid-ups are based on Vital's latest experience and have been reviewed for the 2006 EEV calculations. The assumptions have been set as Vital's best estimate.

Reconciliation to IFRS Equity

The table below shows the reconciliation between equity according to NGAAP and IFRS and the ANAV:

Table 11: Reconciliation to IFRS equity

	31-12-05	31-12-06
Vital NGAAP Equity	7 378	7 540
Goodwill		22
Employee Benefits	31	31
Vital IFRS equity	7 409	7 593
Expense overrun	-16	-22
Cost of Capital	-1 366	-1 215
ANAV	6 027	6 356

The goodwill of NOK 72 million is written off under NGAAP but maintained under IFRS. The employee benefit adjustment relates to a small difference in accounting treatment under the two accounting standards. The expense overrun represents the net present value of the difference between the maintenance expenses per policy at expected level and current level (based on actual incurred expenses in 2006) for defined contribution schemes in Vital Link.

Statement of Directors

The directors believe that embedded value information can provide valuable insight into the development of Vital's life and pension business. The directors have approved the disclosure of the EEV supplementary information which is in accordance with the EEV principles.

Appendix A: Disclaimer

Cautionary note regarding forward looking statements

This document contains forward-looking statements, including statements about Vital's beliefs, expectations, and targets. These statements, including, without limitation, Vital's financial targets are based on Vital's current plans, estimates and projections, as well as Vital's expectations of external conditions and events. In particular the word 'expect', 'anticipate', 'estimate', 'may', 'should', 'believe', 'intend', 'plan', 'aim', 'could', 'will', 'potential' and similar expressions are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Factors such as (i) general economic conditions and competitive factors, particularly in our key markets; (ii) performance of financial markets; (iii) levels of interest rates and currency exchange rates; (iv) frequency, severity and development of insured claims events; (v) mortality and morbidity experience; (vi) policy renewal and lapse rates; and (vii) changes in laws and regulations and in the policies of regulators may have a direct bearing on Vital's results of operations and on whether Vital will achieve its targets. Vital undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

It should be noted, that past performance is not a guide to future performance. Persons requiring advice should consult an independent adviser.

Consequently, the inclusion of embedded value information herein should not be regarded as a representation by Vital, Deloitte, or any other person, that the stream of future after-tax profits used to determine the embedded values will be achieved.



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16.02.2007

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Dear Sirs,

Review of European Embedded Value of Vital Forsikring ASA as at 31 December 2006

We have reviewed the supplementary financial information provided in the document European Embedded Value ("EEV") of the Vital Forsikring ASA ("Vital") life business as at 31 December 2006 (the "EEV report 2006"). The EEV report 2006 has been prepared in accordance with the European Embedded Value Principles issued in May 2004 by the CFO Forum ("EEV principles") using the methodology and assumptions set out in that report.

Responsibility of Board of Directors

The EEV report 2006 is the sole responsibility of the Board of Directors of Vital. It has been prepared by Vital on the basis of the Vital methodology as described in the EEV report 2006.

Basis of Review Opinion

Our review was conducted in accordance with International Standards on Assurance Engagements 3000 issued by the International Auditing and Assurance Standards Board and the International Actuarial Standard of Practice No. 2 issued by the International Actuarial Association.

We have planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the EEV report 2006 is free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the EEV report 2006.

Medlem af
Deloitte Touche Tohmatsu

Uncertainty around EEV

The calculation of an EEV necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes and other matters, many of which are beyond Vital's control. Although the assumptions used represent estimates which the Directors believe are together reasonable, actual experience in future may vary from that assumed in the calculation of the EEV results and any such variations may be material. Deviations from assumed experience are normal and are to be expected. EEV does not purport to encompass all the many factors that may bear upon a market value.

Opinion

In our opinion, the EEV report 2006 has been properly prepared in accordance with the EEV principles using the methodology and assumptions set out in that report.

Yours sincerely,


Lone Møller Olsen
Partner

Appendix C: Glossary

A	
ANAV	Adjusted Net Asset Value. Market values of the shareholders' funds at the valuation date. ANAV is split into required capital, free surplus and cost of capital.
C	
CAPM	Capital Asset Pricing Model
CFO Forum	The CFO Forum: A group formed by the Chief Financial Officers of major European insurance companies. The CFO Forum developed the embedded value principles upon which the EEV is based.
CoC	Cost of Capital. The difference between the present value of the investment return after tax achieved on the assets backing the required capital, and the return required by shareholders.
E	
EEV	European Embedded Value. Embedded value calculation based on the 12 principles developed by the CFO Forum. Sum of adjusted net asset value and present value of in-force business.
F	
Free surplus	Adjusted net asset value less the required capital and cost of capital.
H	
HTM bonds	Hold-to-Maturity bonds.
N	
Norges Bank	National bank of Norway.
P	
PVIF	Present Value of In-Force business including time value of options and guarantees.
R	
Required capital	At any time, assets must be held of a value equal to the applicable capital requirements. This capital is not available for distribution. In the EEV calculations, DnB NOR group's internal capital model is taken as the basis for Vital's required capital.
RDR	Risk Discount Rate. The rate used to discount the future statutory shareholder profits. The RDR in the Vital EEV calculations is built up according to a WACC (Weighted Average Cost of Capital) calculation.
T	
TVOG	Time Value of Options and Guarantees in Vital Forsikring. The TVOG includes the interest guarantee as well as the right of policyholders to receive a bonus participation of at least 65 % of surplus. No explicit allowance has been made for policyholder behaviour linked to development in capital markets, as the impact of such behaviour has been assessed immaterial.
W	
WACC	Weighted Average Cost of Capital. A key requirement of the EEV principles is the inclusion of an appropriate allowance for aggregate risks. Vital has chosen to set risk margins based on an assessment of the weighted average cost of capital (WACC) for Vital. This WACC has been derived using well established capital asset pricing model (CAPM) methodology.