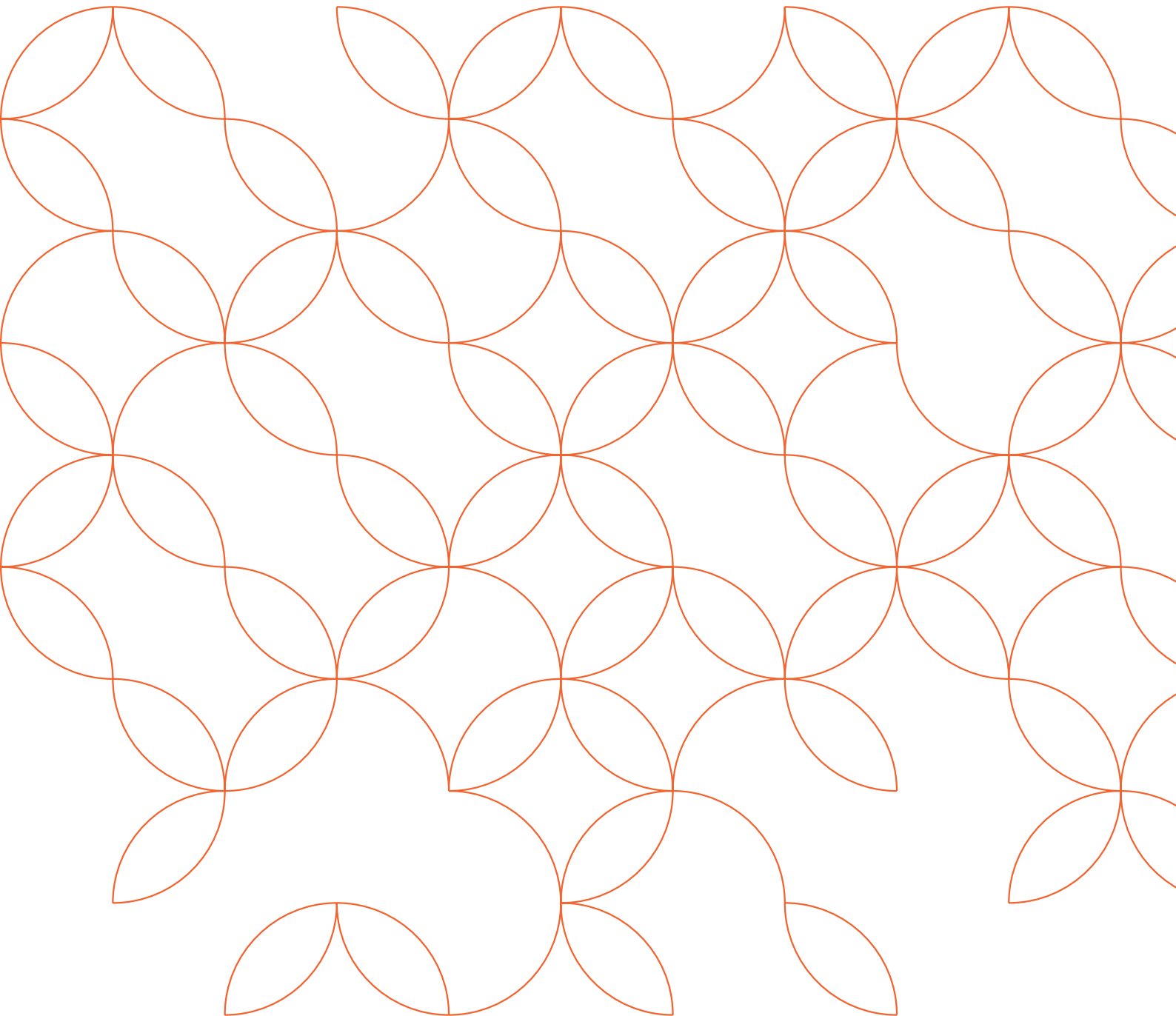


European Embedded Value 2006

Supplementary information 14 February 2007



European Embedded Value

Supplementary information regarding European Embedded Value of Storebrand Livsforsikring – 2006

MAIN FEATURES

- Embedded Value earnings for financial year 2006 of NOK 3,351 million, representing 28 % return on opening embedded value.
- Embedded Value as at 31 December 2006 of NOK 14,544 million after dividend and capital transfers.
- Value of 2006 new business of NOK 700 million.
- The EEV methodology follows last years adopted approach and is based on realistic assumptions using the forward yield curve and allows for risk by means of the top-down group WACC approach and long-term observed volatility in investments. It assumes a continuation of the prevailing insurance legislation and Storebrand's profit-sharing model as at 31.12.2006.
- Storebrand's EEV calculations are compliant with CFO Forum Principles and based on a methodology developed working closely with Tillinghast.

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I. INTRODUCTION

The purpose of this document is to provide disclosure on embedded value 2006 for Storebrand Livsforsikring AS (SBL). It includes business previously written in Storebrand Fondsforsikring AS (SBFF) following the merger of SBL and SBFF in 2006.

An embedded value is an actuarially determined estimate of the value of the company excluding any value attributable to future new business. The calculation of embedded values requires the use of a number of assumptions with respect to future business, operating and economic conditions, and other factors, some of which are determined by the economic situation and in the financial markets. Although the assumptions used represent estimates which Storebrand considers

reasonable, actual future operating conditions and actual future experience may vary from that assumed in the calculation of the embedded values, and such variations may be material. Consequently, the inclusion of embedded value information herein should not be regarded as a representation by Storebrand, Tillinghast, or any other person, that the stream of future after-tax profits used to determine the embedded values will be achieved.

II. RESULTS – EUROPEAN EMBEDDED VALUE 2006

Total life business embedded value as at 31 December 2006 and after capital transfers is NOK 14,544 million. The value of in-force business amounts to NOK 10,813 million, while shareholder surplus is NOK 5,977 million and cost of capital is NOK 986 million. The embedded value is reduced by NOK 1,259 million as allowance for the cost of volatility. Following the merger of SBL and SBFF results as at 31 December 2006 are based on a zero tax rate assumption in accordance with the current tax legislation.

Embedded Value of Storebrand Livsforsikring – split by business:

NOK mill.	EEV 2004*	EEV 2005*	EEV 2006
Total shareholder surplus	4 955	5 512	5 977
comprising			
- Required capital	3 544	3 713	4 111
- Free surplus	1 411	1 799	1 865
Cost of capital	-628	-711	-986
Value of in-force	7 252	8 614	10 813
comprising			
- Group with-profit business	4 596	5 508	7 317
- Individual with-profit business	1 192	1 135	1 148
- Defined contribution business	245	612	1 021
- Unit-linked business	188	184	175
- Other non-profit sharing business	1 031	1 175	1 151
Cost of volatility	-551	-1 158	-1 259
Tax	-130	-232	0
Total embedded value	10 898	12 025	14 544

* Including value previously reported for Storebrand Fondsforsikring AS

2006 Embedded value earnings analysis

The movement from 2005 to 2006 shows embedded value earnings of NOK 3,351 million, before dividend and other capital transfers. This represents a return on opening embedded value of 28%.

The interest on opening value represents the expected return on the embedded value at year-end 2005 that has been anticipated in the discounting of future profits.

The value of new business written in 2006 increases the embedded value by NOK 700 million. The value of new business is based on a marginal approach, meaning that the change in cost of volatility of the in-force business at year-end due to writing new business is attributed to the new business.

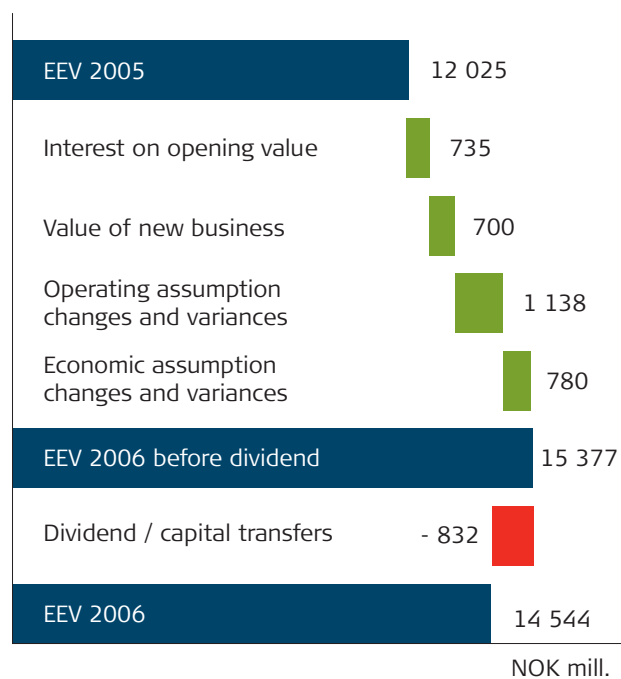
Operating variances impacts positively on the total value,

mainly driven by experience better than expected during 2006. More specifically, the increase is explained by lower lapse than expected on group pension contracts and higher reserves on existing contracts resulting from premium payments due to salary increases. Operating assumption changes are mainly impacted by lower expected lapse rate on defined benefit policies, the elimination of taxes following the merger and higher expenses. The net positive effect of operating assumption changes is approximately 340 million.

Economic variances and assumption changes are impacted by higher investment return than expected and the increase in interest rates through 2006. The increase in interest rates leads to higher expected return going forward, an effect offset by a corresponding increase in risk discount rates. The higher interest rates and

strengthened buffer capital also lead to a relative reduction in the cost of volatility. Furthermore, the revised assumption for salary inflation impacts positively, leading to a total change for economic variances and assumption changes of NOK 780 million.

Earnings analysis



New business

Value of new business (VNB):

NOK mill.	VNB 2005 ¹	VNB 2006
Present value of future profits	489	853
comprising		
- Group with-profit business	184	393
- Individual with-profit business	98	38
- Defined contribution business	134	314
- Unit-linked business	14	10
- Other non-profit sharing business	58	98
Cost of capital	-24	-44
Cost of volatility ²	-75	-109
Tax	-43	0
Value of new business	347	700

¹ New business for defined contribution has been restated in line with consistent definition of new business

² Cost of volatility is calculated on marginal method

New business - premiums:

NOK mill.	2005 ¹	2006
With-profit business		
VNB	206	320
Regular premiums	527	667
Single Premiums	10 128	8 733
APE ²	1 540	1 540
APE margin (%)	13 %	21 %
Defined Contribution and Unit Linked		
VNB	98	307
Regular premiums	214	1 115
Single Premiums	529	705
APE ²	267	1 186
APE margin (%)	37 %	26 %
Non-profit sharing business		
VNB	42	73
Regular premiums	41	98
Single Premiums	0	0
APE ²	41	98
APE margin (%)	103 %	74 %
Total		
VNB	346	700
APE ²	1 849	2 824
APE margin (%)	19 %	25 %

¹ APE, and new business for defined contribution has been restated in line with consistent definition of new business

² APE= Annualised Premium Equivalent = annualised regular premium + 10 % of single premium

III. SENSITIVITIES

NOK mill.	Total EEV	Change	Change in %	Value of new business	Change	Change in %
Base	14 544			700		
1. Risk discount rate +1%	13 410	-1 135	-7.8 %	596	-104	-14.9 %
2. Risk discount rate -1%	15 878	1 334	9.2 %	823	124	17.6 %
3. Beta 1.2	14 273	-271	-1.9 %	675	-25	-3.6 %
4. Beta 1.0	14 825	281	1.9 %	726	26	3.7 %
5. Interest rates +1%*	16 704	2 160	14.8 %	811	111	15.8 %
6. Interest rates -1%*	10 246	-4 299	-29.6 %	523	-176	-25.2 %
7. Equity and property risk premiums +1%	15 800	1 255	8.6 %	752	52	7.4 %
8. Equity and property market values -10%	12 612	-1 932	-13.3 %	701	1	0.1 %
9. Salary and expense inflation +0.5%	14 804	260	1.8 %	712	12	1.7 %
10. Maintenance expenses -10%	14 704	160	1.1 %	740	40	5.7 %
11. Mortality rates -5%	14 393	-151	-1.0 %	698	-2	-0.2 %
12. Lapse rates +10%	14 217	-327	-2.2 %	645	-55	-7.9 %

* Change in market value of unit funds not considered

The sensitivities reflect changes in single assumptions unless otherwise stated. For example, the interest rate shifts in sensitivities 5 and 6 are not accompanied by a shift in RDR.

Sensitivities 1 & 2:

The risk discount rates for each year are changed by 1 percentage point. No other economic assumptions have been changed.

Sensitivities 3 & 4:

The beta assumed in the calculation of the risk discount rate following the WACC approach has been adjusted.

Sensitivities 5 & 6:

Parallel shifts of 1 percentage point are applied to the starting yield curve. Risk discount rates for each year are unchanged. The market values of bonds are adjusted accordingly.

Sensitivity 7:

Expected equity and property risk premiums are increased by 1 percentage point.

Sensitivity 8:

The initial market values of all equity and property holdings (including mutual funds in unit linked and defined contribution business) are reduced by 10 %. As this is an immediate drop in market values, there is no relief from the dynamic risk management principles.

Sensitivity 9:

Salary and expense inflation rates are increased by 0.5 percentage points.

Sensitivity 10:

Future maintenance expenses are reduced by 10 %.

Sensitivity 11:

Mortality rates are reduced by 5 % going forward.

Sensitivity 12:

Future lapse rates increased by 10 %.

IV. METHODOLOGY AND ASSUMPTIONS

Embedded Value: An embedded value is an actuarially determined estimate of the value of the company excluding any value attributable to future new business. It comprises the sum of shareholder surplus, the value of business in force at the valuation date, the cost of holding required capital and the cost of volatility, i.e. the time value of financial options and guarantees.

The Embedded Value is based on the annual accounts of Storebrand Livsforsikring AS prepared in accordance with the Accounting Act of 1998, Norwegian generally accepted accounting principles, and the regulations on annual accounts of insurance companies.

The shareholder surplus is based on the published shareholder assets under NGAAP, plus the security fund including an allocation of unrealised capital gains attributed to shareholder assets.

The value of in-force business is the present value of the projected stream of future after-tax profits that are expected to be generated by the policies in force at the valuation date, assuming assets equal to the technical reserves. The profits are determined on NGAAP using a deterministic model.

The stream of future after-tax profits is determined using realistic assumptions for future operating conditions as regards such items as investment returns, price and salary inflation, expenses, taxation, lapse, surrender, mortality, and morbidity rates.

Embedded value earnings: The embedded value earnings are defined as the change in embedded value, plus any dividends paid and less any capital injections. The embedded value earnings are split into the following categories: the expected return on the opening embedded value, the value of new business, and experience variances and assumption changes split into operating and economic as shown in the analysis of movements above.

Covered business: The business covered in the embedded value reporting is the business written within and legally contained in Storebrand Livsforsikring AS, including business previously written in Storebrand Fondsforsikring AS following the merger of the companies in 2006. No other sources of profits from the life business within Storebrand group are considered.

In-force business and new business: For the purposes of the embedded value, the in-force business is defined as existing policies including future renewals on existing policies for individual business, and existing schemes for group business. New members of existing group schemes have been allowed for implicitly by assuming leaving members are compensated by new members joining. New business is consequently defined as new individual policies written, and for group business, group contract with new schemes or newly transferred schemes.

New business value: The new business value is defined as the after-tax value derived from new business excluding funds that are not yet booked, including the impact of initial acquisition expenses, the cost of required capital and the marginal impact of the new business on the cost of volatility (as described in detail below). It is calculated on end-of-year assumptions.

Cost of required capital: The cost of holding required capital is the difference between the amount of required capital and the present value of future releases, allowing for future investment return, of that capital.

Required capital: The amount of required capital has been set as the greater of Norwegian regulatory capital and internal capital requirements. Life insurance in Norway is subject to two solvency requirement tests, the EU requirement (Solvency I) and the banking requirement (Basel I), both of which must be satisfied. The internal requirement is based on Storebrand's understanding of the level necessary to meet rating agency requirements for Storebrand's targeted rating. As the security fund cannot be distributed immediately to shareholders, it forms part of required capital. As at 31 December 2006 the required capital is set to the regulatory minimum requirement. The increase in regulatory capital is driven by the banking requirement (Basel I) due to increase in funds and assets with higher risk weight. In the internal requirement, allowance is made for other sources of buffer capital not considered in the banking requirement. The required capital is assumed to be released in line with the run off of the business in force.

Capital requirement:

NOK bn	2004	2005	2006
Regulatory minimum	2.2	3.1	4.1
Internal requirement	3.5	3.7	4.0

Participating business/profit sharing: The current embedded value calculations for the participating business assume a continuation of the prevailing insurance legislation and current practices of profit sharing and bonus philosophy. The recent legislative changes (see further description under section V) have not been implemented or considered in these calculations. This approach has been taken owing to the still existing uncertainties regarding the implementation of the new legislation.

The profits assumed to be allocated to shareholder is calculated as 40 bp of reserves plus 100% of the investment return on shareholder assets and a margin on risk premium, subject to a regulatory maximum of 35% of the surplus. At both year-ends, the margin of 40 bp proves sustainable in the deterministic scenario based on average economic conditions. The effect of limiting shareholder profit to 35% of surplus is reflected in the cost of volatility.

Cost of volatility: The time value of financial options and guarantees (including guaranteed return and the right of policyholders to receive a bonus participation of at least 65%), by Storebrand referred to as the cost of volatility, has been determined using a stochastic model of the underlying with-profit business. It is defined as the difference between a deterministic value based on average economic conditions, and the average value of stochastic simulations.

For the new business, the time value of options and guarantees is determined by means of a marginal method, i.e. by attributing to the new business the impact of the new business written during the year on the time value of options and guarantees of the entire portfolio.

The financial options evaluated comprise the interest rate guarantees and the profit sharing regulation of SBL, no other financial options have been evaluated.

Deterministic model: A detailed deterministic model has been used to determine the projected future shareholder cash flows based on average economic conditions.

Stochastic model: A Monte-Carlo simulation using realistic scenarios is evaluating the effect of volatility in the capital markets on the earnings of the covered business.

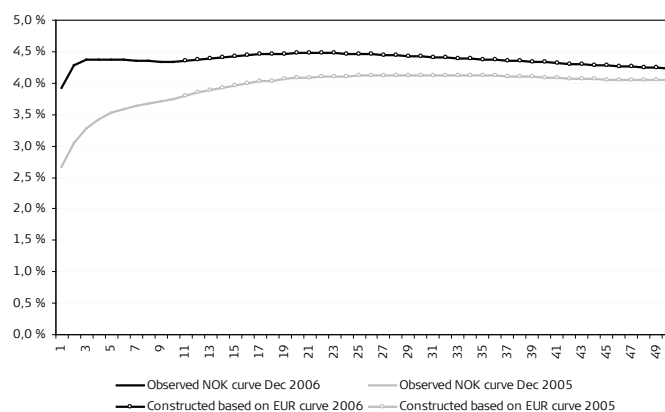
Allowance is made for management actions, modelling investment strategy and solvency based dynamic risk management, as well as crediting and buffer capital strategy based on the current profit-sharing model adopted by Storebrand. The underlying principles are in line with the strategies developed and executed in recent years, applying CPPI and OBPI. No allowance has been made for policyholder behaviour linked to developments in the capital markets.

The economic scenario generator (ESG) used for generating the scenarios calculates rates and returns on a weekly basis, producing an output of resulting monthly values. A set of correlated standard normal random samples is created based on a specified correlation matrix. The first random sample generated at each time is for the short rate process, which in turn guides the movement of the other asset classes. Asset class returns are produced by using the ten year bond return plus an asset class specific risk premium. The stochastic element is then applied by means of the multivariate standard normal samples already derived.

Investment returns

The economic assumptions are derived from the implied forward yield curve of NOK. Risk-free investments are assumed to yield the forward 10-year spot rates, with constant risk premiums added for other asset classes. Risk premiums, volatilities and correlations for the different asset classes are based on analyses of long-term historic data. Since the observed NOK spot rate curve at valuation is based on bonds with duration of maximum ten years, the curve is extended by adding the term premiums observed in the Euro spot curve for longer durations.

Asset allocation is based on actual allocation at valuation date, adapting to the rules of dynamic risk management for each scenario. When determining the deterministic value, the equity share is assumed to be 25%, in line with the average equity allocation from the stochastic simulation.



CPPI = Constant Proportion Portfolio Insurance
 OBPI = Option Based Portfolio Insurance

Risk premiums:

	2004	2005	2006
Equity	3.0 %	3.0 %	3.0 %
Govt. bonds	0.0 %	0.0 %	0.0 %
Credit	0.5 %	0.5 %	0.5 %
Real estate	2.0 %	2.0 %	2.0 %

Assumptions:

	EEV 2004	EEV 2005	EEV 2006
Risk free rate	n/a ¹	n/a ¹	n/a ¹
Risk discount rate	7.3 % ²	6.6 % ²	7.3 % ²
Risk margin	2.3 % ²	2.4 % ²	2.8 % ²
Assumed equity share ³	20 %	20 %	25 %
Tax rate	0%/28% ⁴	0%/28% ⁴	0 %
Expense inflation	2.5 % ⁵	2.1 % ⁵	2.2 % ⁵
Salary inflation	3.6 %	3.6 %	4.3 %
Lapses, mortality etc	Best estimates based on data		

¹ Vector based on forward yield curve.

² Calculated as the average risk discount rate and risk margin which returns the same present value as the adopted vector approach. For comparative purposes only.

³ Deterministic assumption.

⁴ 0% and 28% for Storebrand Livsforsikring AS and Storebrand Fondsforsikring AS respectively

⁵ Average inflation over the projection period. For comparative purposes only.

Inflation

Expense inflation is set to be 50% of the 1-year forward rate based on expectations that the forward rate can be decomposed into 50% inflation expectations and 50% real rate expectations.

The salary inflation is assumed to be 4.3% going forward, and is equivalent to the assumption used for Storebrand's own pension scheme. The underlying assumptions are based on the guidance from the The Norwegian Accounting Standards Board (NASB) as of November 2006.

Risk Discount Rates

Following the top down approach Storebrand has used the group weighted average cost of capital (WACC) for setting risk discount rates. The risk free-rate is period-dependent, derived from the observed forward yield curve at valuation. For the results as at 31 December 2006 a

debt/equity ratio of 25/75 has been applied in line with the reduced debt ratio of the group at market values. Cost of shareholder equity has been derived using a 3.0% risk premium and a market-based beta of Storebrand. Compared to previous years embedded value the beta is increased to 1.1 based on analyses of the movement of the Storebrand stock compared to European and world indices. Cost of debt is based on short-term forward rates and actual interest margin at valuation date.

No further adjustments to the risk discount rate have been made.

Group WACC assumptions:

	2005	2006
Equity risk premium	3.0 %	3.0 %
Beta	1.0	1.1
Debt/equity ratio	30/70	25/75

Expenses: The expenses incurred have been subdivided by line of business and fully allocated into investment, acquisition and maintenance expenses. Maintenance expenses are expressed as per-policy expenses and are assumed to increase with expense inflation.

The cost of Storebrand's own pension scheme has only been reflected on the NGAAP basis.

Within the Storebrand group, any services performed by service or other group companies are charged at costs, so that no material profits related to the life business have been taken into account in the embedded value for SBL.

No productivity gains are anticipated in the embedded value assumptions. There are no material overhead expenses incurred in other entities. No material expenses have been allocated to development costs.

Reinsurance and intra-group debt: There are only non-material amounts of reinsurance and no intra-group debt within Storebrand.

Actuarial assumptions: The assumptions for mortality and morbidity, lapses and paid-ups are based on recent company experience, and have been reviewed for 2006.

Tax: In line with current legislation, a tax rate of 0% has been used for Storebrand Livsforsikring.

V. NEW LEGISLATION FOR THE NORWEGIAN LIFE INSURANCE INDUSTRY

The new Insurance Activities Act will be implemented 1 January 2008 and will lead to considerable changes for the life insurance industry. The overall objective of the new legislation is to make pricing more predictable and transparent, as well as providing a clearer distinction between policyholders and insurance company assets. As an overall rule, the new legislation requires that premiums must be fixed and paid in advance.

For existing paid-up policies and policies that become paid-up, the new legislation will lead to a transition to a modified profit-sharing model. The maximum percentage of profits that can be allocated to the owner will be reduced from 35% to 20%. However, the owner is entitled to the net return on funds not belonging to the policyholders, which previously also was a part of the overall profits under the 35% limitation. In addition, the deficit and profit in the administration result will be allocated to the owner, as well as a deficit on risk result.

For individual policies in force prior to the change in the new legislation, the new legislation enables life insurers to continue the existing profit sharing regime, albeit the net investment return on the insurance company capital will no longer be subject to profit sharing.

For defined benefit pension schemes and new guaranteed individual pensions the new legislation will put an end to sharing of profits between the life insurance company and its policyholders. The various elements must be priced separately, and each element may include a margin to the insurance company. For these products the following will apply;

- **Premium for the interest rate guarantee:** The customer has to pay for the interest rate guarantee in advance. The entire investment return, less the potential additional statutory reserves, will accrue to the pension policy. The premium charged will depend on factors such as the policy's level of risk capital, the percentage of the policy assets invested in risky assets, the level of the interest rate guarantee and the market development such as the interest rate level.

- **Risk premium:** The customer will receive any surplus from the risk result achieved on insurance cover for death, disability and dependants in the pension policy and the insurance company will, in principle, be responsible for meeting any deficit on risk result. There is, however, provision for up to half of any surplus to be held on a risk equalisation fund, maximised to 1.5 times annual risk premiums. Subsequent deficits can then be met by the equalisation fund before the insurance company is required to contribute from its own equity.
- **Premium for pension scheme administration:** Administration costs must be charged in advance and represent the final cost for the customer. The insurance company must then meet any deficit in the administration result, and similarly retains any surplus. For customers with an active investment choice, the provision for asset management must be priced separately.

At present, Storebrand decides, on the behalf of the customers, how a pension policy's assets are invested, and the entire portfolio for the traditional business is managed in the same way. The new legislation will allow customers with defined benefit pension schemes to exercise greater influence over the allocation of pension assets between investment alternatives, and also make it possible for group pension policies to be divided into sub-portfolios with different management criteria. The legislation also permits a longer-term policy. The interest rate guarantee has so far been linked to a single financial year, but it will now be possible to agree a guaranteed return for a five year period.

Statement of Directors

The directors confirm that the embedded values as at 31 December 2006, and the embedded value earnings including the value added by new business in 2006, have been determined using methodology and assumptions which are compliant with EEV principles.

Tillinghast opinion

The scope of Tillinghast's review covered the European Embedded Value as at 31 December 2006, the value of 2006 new business, the analysis of 2006 embedded value earnings and the sensitivities of the embedded value and new business value. It included a review of the methodology and assumptions used as described in this document and of the compliance with the European Embedded Value Principles.

Tillinghast has concluded that the methodology and assumptions used comply with the EEV Principles and Guidance, and in particular that:

- the methodology makes allowance for the aggregate risk in the covered business through
 - o the use of a risk discount rate derived by a WACC approach,
 - o a stochastic assessment of the time value of options and guarantees, and
 - o the deduction of the cost of required capital based on internal solvency targets
- the operating assumptions have been set with appropriate regard to past, current and expected future experience;
- the economic assumptions used are internally consistent and consistent with observable market data; and
- for participating business, the assumed bonus rates and the allocation of profit between policyholders and shareholders are consistent with the other projection assumptions, established company practice and local market practice.

Tillinghast has also performed limited high-level checks on the results of the calculations and has confirmed that any issues discovered do not have a material impact on the disclosed embedded values and new business values. Tillinghast has not, however, performed detailed checks on the models and processes involved.

Tillinghast notes that the results as at 31 December 2006

- are determined assuming a continuation of the current Storebrand profit-sharing model and do not reflect the impact of the recent legislative changes which will affect the profit sharing model starting in 2008, and
- are based on a zero tax rate in accordance with the current taxation regime relating to income and capital gains on European (EEA) equities.

In arriving at these conclusions, Tillinghast relied on data and information provided by Storebrand.

Storebrand Livsforsikring

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