



**REPORT FOR FIRST QUARTER
2016
CONSOLIDATED**



VARDIA INSURANCE GROUP ASA - CONSOLIDATED

HIGHLIGHTS FIRST QUARTER

- The first quarter 2016 net loss was NOK 70.0 million compared with a net loss of NOK 55.6 million for first quarter 2015
- The net loss splits with NOK 50 million largely linked to distribution agreement costs and NOK 20 million linked to claims
- The company reported a Solvency II margin of 86% as of March 31st 2016
- Gross written premiums increase of 5.7% compared with first quarter 2015
- The gross loss ratio for the first quarter 2016 was 87.2% (79.5%), and the loss ratio f.o.a. was 96.9% (82.3%)
- The gross cost ratio for the first quarter 2016 was 34.6% (38.8%), and the cost ratio f.o.a. was 79.8% (83.9%)
- The gross combined ratio (CR) for the first quarter 2016 was 121.8% (118.3%), and the CR f.o.a. was 176.7% (166.1%)
- Vardia on 28 April 2016 announced the sale of its Swedish insurance portfolio to Gjensidige for a total consideration of SEK 200 million and the repurchase of the distribution business in Norway that was divested in 2015
- In Q1, the Swedish operation was held for sale and is presented as discontinued operations in the tables in this report except from in the key figures table below, where the figures also are given as if the business was not held for sale to ease comparison.

| KEY FIGURES (consolidated) | (NOK 1,000) | | |
|---|--------------------|----------------|------------------|
| | Q1 2016 | Q1 2015 | 31.12.2015 |
| Gross premiums written | 400 311 | 378 639 | 1 458 269 |
| Gross premiums earned | 363 571 | 301 995 | 1 315 881 |
| Premiums earned f.o.a. | 93 168 | 82 554 | 349 113 |
| Gross incurred claims | -316 956 | -240 063 | -1 261 900 |
| Incurred claims f.o.a. | -90 269 | -67 906 | -314 381 |
| Operating expenses for own account | -74 354 | -69 229 | -242 260 |
| Other income/expenses | 863 | 4 118 | 14 684 |
| Techn. result before changes in sec.reserves | (1) -70 592 | -50 463 | -192 844 |
| Other income/expenses | 0 | -574 | -2 519 |
| Net financial income | 622 | -2 623 | -2 953 |
| Operating result | -69 970 | -53 660 | -198 316 |
| Changes in security reserves etc. | 0 | -2 000 | -14 755 |
| Profit/Loss before tax | -69 970 | -55 660 | -213 071 |
| Total profit/loss for the year (after tax) | -69 999 | -55 611 | -212 094 |
| Profit/Loss after tax per share | (2) -0.16 | -1.65 | -0.84 |
| Gross loss ratio | 87.2 | 79.5 | 95.9 |
| Gross cost ratio | 34.6 | 38.8 | 41.7 |
| Gross combined ratio | 121.8 | 118.3 | 137.6 |
| Loss ratio f.o.a. | 96.9 | 82.3 | 90.1 |
| Cost ratio f.o.a. | 79.8 | 83.9 | 69.4 |
| Combined ratio f.o.a. | 176.7 | 166.1 | 159.4 |

(1) Figures are ex. allocated return on investment transferred from the non-technical account.

(2) Earnings per share diluted is equivalent. See note 10 to the consolidated annual accounts.

| KEY FIGURES (consolidated) excluding Sweden | (NOK 1,000) | | |
|---|--------------------|----------------|-----------------|
| | Q1 2016 | Q1 2015 | 31.12.2015 |
| Gross premiums written | 218 479 | 221 612 | 804 977 |
| Gross premiums earned | 206 639 | 178 205 | 707 953 |
| Premiums earned f.o.a. | 51 228 | 52 168 | 209 892 |
| Gross incurred claims | -160 192 | -138 898 | -719 783 |
| Incurred claims f.o.a. | -53 266 | -44 775 | -189 722 |
| Operating expenses for own account | -45 571 | -50 323 | -168 771 |
| Other income/expenses | 693 | 1 749 | 8 726 |
| Techn. result before changes in sec.reserves | (1) -46 916 | -41 181 | -139 875 |
| Other income/expenses | 0 | -574 | -6 552 |
| Net financial income | 622 | -2 623 | 1 078 |
| Operating result | -46 294 | -44 378 | -145 349 |
| Changes in security reserves etc. | 0 | -2 000 | -14 755 |
| Profit/Loss before tax | -46 294 | -46 378 | -160 104 |
| Profit from discontinued operations | -23 675 | -9 283 | -52 969 |
| Total profit/loss for the year (after tax) | -69 999 | -55 611 | -212 094 |
| Profit/Loss after tax per share | (2) -0.10 | -1.37 | -0.63 |
| Gross loss ratio | 77.5 | 77.9 | 101.7 |
| Gross cost ratio | 36.5 | 41.1 | 47.6 |
| Gross combined ratio | 114.0 | 119.0 | 149.3 |
| Loss ratio f.o.a. | 104.0 | 85.8 | 90.4 |
| Cost ratio f.o.a. | 89.0 | 96.5 | 80.4 |
| Combined ratio f.o.a. | 192.9 | 182.3 | 170.8 |

(1) Figures are ex. allocated return on investment transferred from the non-technical account.

(2) Earnings per share diluted is equivalent. See note 10 to the consolidated annual accounts.

The Company and its business

Vardia Insurance Group ASA is a Norwegian insurance group serving the private and commercial market in the Scandinavian countries. The company, established in 2009, obtained its own insurance license in 2011. Vardia started to write premiums for own account (f.o.a.) in Sweden in 2011, in Norway in 2012 and in Denmark in 2014. The first quarter 2016 report reflects the recent key developments of the company.

Vardia had a negative operating result in the first quarter of 2016. Approximately NOK 50 million of this loss stems from a high cost ratio. The main contributors to this high cost ratio are (1) high market commission levels in the distribution agreements (as of August 10th 2015) for Norwegian and Swedish business and (2) one-off costs linked to the strategic review of the company. The remaining approximately NOK 20 million of the loss stems from insurance losses, largely attributable to the winter season.

Gross written premiums continued to grow. However, the rate of growth was lower than in previous periods reflecting a leaner sales organisation and a more selective approach in signing new clients.

Premium income

Vardia continued to book growth in premium income. First quarter 2016 gross premiums written was NOK 400 million, representing an increase of 5.7% from NOK 379 million in same period of 2015. Gross earned premiums for the same period were NOK 364 million, an increase of 20 % compared with the same period the year before. Premiums earned for own account for first quarter 2016 was NOK 93 million, representing a growth of 13 % compared with the same period in 2014.

Gross premiums written for first quarter 2016 are divided between Norway with NOK 203 million (decrease 3%), Sweden with NOK 182 million (increase 16 %) and Denmark with NOK 15 million (increase 38%). As at 31 March 2016, Personal Lines (PL) accounted for about 70% and Commercial Lines (CL) about 30 % of premium income. Both private and commercial businesses contributed to the portfolio growth during the quarter.

Vardia had a premium portfolio of NOK 1 546 million as at 31 March 2016. The portfolio is divided between Norway with NOK 826 million, Sweden with NOK 669 million and Denmark with NOK 52 million. At the end of March, the company had in excess of 150 000 customers.

Results and allocation

The company had an operating loss before changes in minimum-security reserve of NOK 70 million in the first quarter of 2016. This compares with an operating loss of NOK 54 million in the first quarter of 2015.

The first quarter 2016 gross loss ratio was 77,5%, while the loss ratio for own account was 104,0%. Corresponding ratios for the same quarter of 2015 were 77,9% and 85,8%, respectively. The quarter had higher than normal large losses, which mainly affected the Swedish portfolio. The gross loss ratio includes claims handling expenses equal to 7.8%, compared with 7.4% in the same period of 2015.

Gross loss reserve was NOK 426 million (excluding the Swedish portfolio 751 million including Sweden), of which NOK 210 million were IBNR reserves without Sweden (NOK 377 million inclusive Sweden) calculated by the company's actuary.

The first-quarter 2016 gross cost ratio was 34.6%, compared with a gross cost ratio of 38.8% in the same quarter the year before. The cost ratio for own account in the first quarter of 2016 was 79.8%, compared with a cost ratio for own account of 83.9% in the first quarter of 2015.

Net financial income for the first quarter 2016 was a profit of NOK 0.6 million, compared with a loss of NOK 2.6 million in the year earlier period. The company pursues a conservative investment policy. As of 31 March 2015, NOK 191 million was invested in low risk money market funds.

Group loss before tax for the first quarter of 2016 was NOK 70 million, compared with a loss of NOK 56 million in the same period a year earlier. The result after tax and components of comprehensive income was a loss of NOK 70 million in the first quarter of 2016, compared with a loss of NOK 56 million in the same period a year before. Per end of March 2016, the total result (after tax and components of comprehensive income) showed a loss of NOK 70 million, which has been allocated to equity.

Capital/cash flow

First-quarter 2016 net cash flow from operational activities was negative NOK 9.5 million and net cash flow from investment activities was negative NOK 1.4 million. Net cash flow from financial activities was positive NOK 1.7 million. Cash and cash equivalents decreased during the quarter with NOK 9.2 million from NOK 317 million to NOK 307 million.

The reinsurers' share of gross technical reserves were NOK 1 150 million as of 31 March 2016, compared with NOK 1 111 million at 31 December 2015.

The number of shareholders by the end of the first quarter of 2016 was around 1 750.

During the first quarter of 2016, the company's total assets increased from NOK 2 341 million to NOK 2 395 million. The increase is due to the growth of the insurance portfolio.

Solvency margin

As of 31 March 2016, solvency margin capital (available capital) for the group was NOK 157 million. The solvency capital requirement (SCR) was 183 million. The minimum regulatory requirement for capital adequacy is 100 % whereas the solvency margin was 86%. As of 31 March, Vardia was thus in breach of the solvency margin requirement.

Given the breach of the requirement Vardia has been granted a dispensation from the solvency capital requirement by the Norwegian Financial Supervisory Authority. The dispensation was granted on the basis that the Company was working towards remedying the situation through its ongoing strategic review and has been extended until a sale of the Swedish portfolio has been completed at which time Vardia will no longer be in breach of the requirements.

Management and board changes

Mr. Jonas Billberg was appointed deputy Chief Executive Officer on 4 March 2016. Mr. Billberg, who joined Vardia as Chief Operating Officer (COO) on 1 January 2016, is responsible for overseeing Nordic operations, including underwriting, in the group. Vardia on 23 February 2016 combined the Strategy and Finance functions of the group under the leadership of Bård Standal, who was appointed Chief Financial Officer. After these changes, the senior management of Vardia consists of CEO Espen Husstad, CFO Bård Standal and COO Jonas Billberg.

On January 12 Vardia held an extraordinary general meeting. In this meeting Ragnhild Wiborg, Cecilia Lager and Christer Karlsson were elected as new board members replacing Nina Charlott Gullerud, Nils Aakvik og and deputy board member Oskar Dag Sylte. In the same meeting the statutes of Vardia was amended in order to discontinue the control committee.

Subsequent events and future developments

Vardia on 28 April 2016 announced the sale of its Swedish insurance portfolio to Gjensidige for a total consideration of SEK 200 million and the repurchase of the distribution business in Norway that was divested in 2015. The planned transactions follow the strategic review initiated by the board of directors and announced in the interim report for the fourth quarter of 2015 published 29 February 2016.

Upon completion of the transactions, which is expected to take place on or about 1 July 2016, the Company expects to have a solvency ratio well in excess of the regulatory requirements. This taking into account the consideration received for the Swedish portfolio, the effect of the sale on the Company's solvency capital requirement ("SCR"), the cost of reintegrating the distribution business, transaction costs, and the expected operating loss in the period until closing including restructuring and other extraordinary costs.

At the same date Vardia also announced the a repurchase of Vardia Norge AS and its subsidiaries Vardia Forsikring AS, Vardia Eksterne Kanaler AS, Vardia Skadeoppgjør AS and Vardia Fordel AS. Integration of the distribution activities is an important step in securing the future competitiveness of Vardia. Since Vardia Norge AS became an independent Company, it has started the implementation of a comprehensive cost reduction plan. Following the closing of the acquisition, Vardia will accelerate the implementation of the cost reduction plan, in addition to the implementation of additional measures, in order to secure a cost effective, competitive, and Integrated value chain in the Norwegian operation. Current plans call for a reduction in number of locations from six to three, and the number of employees in the distribution activities is expected to be reduced with about 20%, from about 250 at year end 2015.

The Board and management is fully focused on executing the announced transactions in Sweden and Norway on or about June 30. A more extensive presentation of the ongoing operations in Norway and Denmark will be given together with the presentation of the report for the second quarter.

Oslo, 10 May 2016

| Consolidated income statement | | (NOK 1,000) | | |
|---|------|----------------|----------------|-----------------|
| | Note | Q1 2016 | Q1 2015 | 31.12.2015 |
| Premium income | | | | |
| | 2 | | | |
| Gross premiums earned | | 206 639 | 178 205 | 707 953 |
| Reinsurance share | | -155 411 | -126 037 | -498 061 |
| Premiums earned for own account | | 51 228 | 52 168 | 209 892 |
| Other insurance-related income | | 693 | 1 749 | 8 726 |
| Claims | | | | |
| | 2 | | | |
| Gross claims paid | | -114 956 | -119 533 | -444 071 |
| Reinsurance share | | 61 690 | 74 758 | 254 349 |
| Claims incurred for own account | | -53 266 | -44 775 | -189 722 |
| Operating expenses | | | | |
| Sales costs | | -47 552 | -44 690 | -253 140 |
| Change in prepaid direct sales costs | | 0 | 0 | 46 845 |
| Insurance-related administration costs | | -27 790 | -28 533 | -83 833 |
| Commission received | | 29 771 | 22 900 | 121 357 |
| Total operating expenses for own account | | -45 571 | -50 323 | -168 771 |
| Technical result before changes in security reserve etc. | | -46 916 | -41 181 | -139 875 |
| Change in security reserve etc. | | | | |
| Change in security reserve | | 0 | -2 000 | -14 755 |
| Total change in security reserve etc. | | 0 | -2 000 | -14 755 |
| Technical result | | -46 916 | -43 181 | -154 630 |
| Net financial income | | | | |
| Profit/loss sale of subsidiaries | | 0 | 0 | 1 063 |
| Interest income and dividends etc. on financial assets | | 622 | -2 623 | 15 |
| Total financial income | | 622 | -2 623 | 1 078 |
| Other income | | 0 | -574 | -1 555 |
| Other expenses | | 0 | 0 | -4 997 |
| Non-technical result | | 622 | -3 197 | -5 474 |
| Profit before tax | | -46 294 | -46 378 | -160 104 |
| Tax | | 0 | 0 | 3 383 |
| Profit before components of comprehensive income | 5 | -46 294 | -46 378 | -156 721 |
| Other income and expenses | | | | |
| Exchange rate differences | | -29 | 49 | -2 406 |
| Total other income and expenses | | -29 | 49 | -2 406 |
| Profit from continued operations | | -46 324 | -46 329 | -159 127 |
| Profit from discontinued operations | | -23 675 | -9 283 | -52 969 |
| Profit after tax | | -69 999 | -55 611 | -212 096 |

| Consolidated statement of financial position | | | | (NOK 1,000) |
|---|------|------------------|------------------|------------------|
| | Note | 31.03.2016 | 31.03.2015 | 31.12.2015 |
| ASSETS | | | | |
| Intangible assets | | | | |
| Goodwill | | 54 137 | 57 792 | 54 137 |
| Other intangible assets | 4 | 68 273 | 70 546 | 72 898 |
| Total intangible assets | | 122 410 | 128 338 | 127 035 |
| Investments | | | | |
| Bonds and other fixed-income securities | 6 | 191 455 | 0 | 189 999 |
| Total investments | | 191 455 | 0 | 189 999 |
| Reinsurance share of gross technical provisions | | | | |
| Reinsurance share of gross premium provisions | | 315 082 | 507 236 | 559 017 |
| Reinsurance share of gross claims provisions | | 342 218 | 339 158 | 551 676 |
| Total reinsurance share of gross technical provisions | | 657 300 | 846 394 | 1 110 693 |
| Receivables | | | | |
| Receivables in connection with direct insurance and reinsurance | | 353 695 | 434 742 | 525 995 |
| Other receivables | | 45 983 | 41 397 | 67 067 |
| Total receivables | | 399 678 | 476 139 | 593 062 |
| Other assets | | | | |
| Plant and equipment | | 4 027 | 8 303 | 4 288 |
| Cash and cash equivalents | | 67 679 | 103 091 | 126 508 |
| Total other assets | | 71 706 | 111 394 | 130 796 |
| Prepaid expenses and earned income not received | | | | |
| Prepaid costs and earned income not received | | 128 725 | 99 330 | 189 008 |
| Total prepaid expenses and earned income not received | | 128 725 | 99 330 | 189 008 |
| Assets held for sale | | 823 785 | 0 | 0 |
| Total assets | | 2 395 060 | 1 661 595 | 2 340 593 |

| Consolidated statement of financial position | | | | (NOK 1,000) |
|---|------|------------------|------------------|--------------------|
| | Note | 31.03.2016 | 31.03.2015 | 31.12.2015 |
| EQUITY AND LIABILITIES | | | | |
| Paid-in equity | | | | |
| Share capital | | 35 829 | 2 579 | 35 829 |
| Share premium | | 907 334 | 552 382 | 907 333 |
| Other paid-in-equity | | 4 481 | 2 541 | 4 081 |
| Total paid-in equity | | 947 644 | 557 502 | 947 243 |
| Provision for Natural Perils Fund | | 0 | 728 | 0 |
| Provision for Guarantee scheme | | 16 337 | 7 067 | 14 435 |
| Other equity | | -782 888 | -593 682 | -757 314 |
| Total equity | 3 | 181 093 | -28 385 | 204 364 |
| Subordinated loan | | 73 958 | 0 | 73 931 |
| Technical provisions | | | | |
| Gross premium reserve | | 434 679 | 679 668 | 752 792 |
| Gross claims reserve | | 425 858 | 447 317 | 704 515 |
| Other technical provisions | | 0 | 33 974 | 46 729 |
| Total technical provisions | | 860 537 | 1 160 959 | 1 504 036 |
| Provisions for other risks and liabilities | | | | |
| Pension liabilities | | 0 | 8 019 | 0 |
| Other provisions for risks and liabilities | | 0 | 0 | 0 |
| Total provisions for other risks and liabilities | | 0 | 8 019 | 0 |
| Financial liabilities | | | | |
| Other liabilities | | 80 723 | 29 771 | 58 988 |
| Liabilities in connection with direct insurance and reinsurance | | 183 101 | 333 584 | 345 319 |
| Total financial liabilities | | 263 824 | 363 355 | 404 307 |
| Accrued costs and received unearned income | | 157 312 | 157 646 | 153 954 |
| Liabilities held for sale | | 858 336 | 0 | 0 |
| Total liabilities | | 2 213 967 | 1 689 979 | 2 136 228 |
| Total equity and liabilities | | 2 395 060 | 1 661 595 | 2 340 593.0 |

| Consolidated statement of cash flow | (NOK 1,000) | | |
|--|----------------|----------------|-------------------|
| | Q1 2016 | Q1 2015 | 31.12.2015 |
| Net cash flow from operational activities | -57 650 | -77 383 | -230 224 |
| Net cash flow from investment activities | -1 377 | -4 503 | -26 447 |
| Net cash flow from financial activities | 1 654 | 0 | 388 201 |
| Net change in cash and cash equivalents | -57 373 | -81 886 | 131 530 |
| Cash and cash equivalents at the beginning of the period | 316 507 | 184 977 | 184 977 |
| Cash and cash equivalents at the end of the period | 259 134 | 103 091 | 316 507 |
| Net cash flow for the period | -57 373 | -81 886 | 131 530 |
| Specification of cash and cash equivalents | | | |
| Cash in bank and liquidity funds | 259 134 | 103 091 | 316 507 |
| Total cash and cash equivalents | 259 134 | 103 091 | 316 507 |

| Consolidated statement of changes in equity | | | | | | | (NOK 1,000) |
|---|---------------|----------------|--------------|---------------------|---------------------|------------------|----------------|
| | Share capital | Share premium | Other equity | Other earned equity | Natural perils fund | Guarantee scheme | Total |
| Equity as at 1st January 2015 | 2 579 | 552 382 | 2 541 | -538 281 | 428 | 7 067 | 26 716 |
| Changes in provisions in Q1 2015 | | | | -300 | 300 | | 0 |
| Profit before OCI | | | | -55 660 | | | -55 660 |
| Other result components (net after tax) | | | | 49 | | | 49 |
| Other | | | | 510 | | | 510 |
| Equity as at 31st March 2015 | 2 579 | 552 382 | 2 541 | -593 682 | 728 | 7 067 | -28 385 |
| Equity as at 1st April 2015 | 2 579 | 552 382 | 2 541 | -593 682 | 728 | 7 067 | -28 385 |
| Increase in equity in Q2 2015 | 30 000 | 315 572 | | | | | 345 572 |
| Cost related to capital issue | | -3 698 | | | | | -3 698 |
| Changes in provisions in Q2 2015 | | | | 728 | -728 | | 0 |
| Profit before OCI | | | | -42 950 | | | -42 950 |
| Other result components (net after tax) | | | | -476 | | | -476 |
| Other | | | | -315 | | | -315 |
| Equity as at 30th June 2015 | 32 579 | 864 256 | 2 541 | -636 695 | 0 | 7 067 | 269 748 |
| Equity as at 1st July 2015 | 32 579 | 864 256 | 2 541 | -636 695 | 0 | 7 067 | 269 748 |
| Increase in equity in Q3 2015 | 0 | 0 | | | | | 0 |
| Cost related to capital issue | | -1 582 | | | | | -1 582 |
| Changes in provisions in Q3 2015 | | | | -5 404 | 0 | 5 404 | 0 |
| Profit before OCI | | | | -52 316 | | | -52 316 |
| Other result components (net after tax) | | | | -3 376 | | | -3 376 |
| Other | | | | 547 | | | 547 |
| Equity as at 30th September 2015 | 32 579 | 862 674 | 2 541 | -697 244 | 0 | 12 471 | 213 021 |
| Equity as at 1st October 2015 | 32 579 | 862 674 | 2 541 | -697 244 | 0 | 12 471 | 213 021 |
| Increase in equity in Q4 2015 | 3 250 | 46 719 | | | | | 49 969 |
| Cost related to capital issue | | -2 060 | | | | | -2 060 |
| Changes in provisions in Q4 2015 | | | | -1 964 | 0 | 1 964 | 0 |
| Profit before OCI | | | | -58 888 | | | -58 888 |
| Other result components (net after tax) | | | | 1 396 | | | 1 396 |
| Option expenses | | | 1 540 | | | | 1 540 |
| Other | | | | -614 | | | -614 |
| Equity as at 31st December 2015 | 35 829 | 907 333 | 4 081 | -757 314 | 0 | 14 435 | 204 364 |
| Equity as at 1st January 2016 | 35 829 | 907 333 | 4 081 | -757 314 | 0 | 14 435 | 204 364 |
| Increase in equity in Q1 2016 | | | | | | | 0 |
| Subscribed equity | | | | | | | 0 |
| Cost related to capital issue | | | | | | | 0 |
| Changes in provisions in Q1 2016 | | | | -1 902 | | 1 902 | 0 |
| Profit before OCI | | | | -69 970 | | | -69 970 |
| Other result components (net after tax) | | | | -29 | | | -29 |
| Option expenses | | | 400 | -400 | | | 0 |
| Reversal technical provisions | | | | 46 729 | | | 46 729 |
| Other | | | | -1 | | | -1 |
| Equity as at 31st March 2016 | 35 829 | 907 333 | 4 481 | -782 886 | 0 | 16 337 | 181 093 |

NOTE 1 Accounting principles

The accounts and the report from the Board of Directors for first quarter 2016 are prepared according to IAS 34. The consolidated accounts is prepared according to IFRS from 2013. Reference is made to the annual report for 2015.

NOTE 2 Segment information

| Norway | (NOK 1,000) | Q1 2016 | Q1 2015 | 31.12.2015 |
|---|-------------|----------------|----------------|-------------------|
| Gross premiums written | | 203 069 | 210 406 | 800 331 |
| Premiums earned f.o.a. | | 48 603 | 51 205 | 201 806 |
| Other income | | 693 | 1 749 | 8 726 |
| Incurred claims and operating expenses f.o.a. | | -87 080 | -77 862 | -283 129 |
| Technical result | | -37 785 | -24 908 | -72 597 |
| Cost Ratio | | 78 % | 66 % | 51 % |
| Loss Ratio | | 102 % | 86 % | 90 % |
| Net Combined Ratio | | 179 % | 152 % | 140 % |

| Sweden | (NOK 1,000) | Q1 2016 | Q1 2015 | 31.12.2015 |
|---|-------------|----------------|----------------|-------------------|
| Gross premiums written | | 181 832 | 157 027 | 611 397 |
| Premiums earned f.o.a. | | 41 940 | 30 386 | 139 221 |
| Other income | | 170 | 2 369 | 5 958 |
| Incurred claims and operating expenses f.o.a. | | -70 786 | -42 038 | -198 148 |
| Technical result | | -28 675 | -9 283 | -52 969 |
| Cost Ratio | | 81 % | 62 % | 53 % |
| Loss Ratio | | 88 % | 76 % | 90 % |
| Net Combined Ratio | | 169 % | 138 % | 142 % |

| Denmark | (NOK 1,000) | Q1 2016 | Q1 2015 | 31.12.2015 |
|---|-------------|----------------|----------------|-------------------|
| Gross premiums written | | 15 410 | 11 205 | 46 541 |
| Premiums earned f.o.a. | | 2 625 | 963 | 8 086 |
| Other income | | 0 | 0 | 0 |
| Incurred claims and operating expenses f.o.a. | | -6 757 | -17 236 | -75 364 |
| Technical result | | -4 132 | -16 272 | -67 278 |
| Cost Ratio | | 109 % | 1735 % | 821 % |
| Loss Ratio | | 148 % | 54 % | 111 % |
| Net Combined Ratio | | 257 % | 1789 % | 932 % |

NOTE 3 Changes in equity

There are no changes in paid-in equity the first quarter of 2016. Reference is made to the statement of changes in equity.

NOTE 4 Other intangible assets

The company has during the first quarter 2016 a net decrease in intangible assets and plant and equipment of NOK 1.5 million. The decrease is mainly due to depreciation in the period. The balance of NOK 71.7 million refers to development of the company's insurance systems and acquisition of an insurance portfolio at the end of 2013. Both the company's insurance system and the insurance portfolio are depreciated over seven years.

NOTE 5 Earnings per share

a) Earnings per share

Earnings per share is calculated by dividing the profit before components of comprehensive income on a weighted average of outstanding ordinary shares through the quarter, own shares deducted.

| (NOK 1,000) | Q1 2016 | Q1 2015 | 31.12.2015 |
|--------------------|---------|---------|------------|
| Profit before OCI | -46 294 | -46 378 | -156 721 |
| Earnings per share | -0.10 | -1.37 | -0.63 |

b) Earnings per share, diluted

By calculation of diluted earnings per share, a weighted average of total outstanding shares through the quarter is used adjusted for the effect of conversion of potential shares that can cause dilution. The company has one category of potential shares that can cause dilution: stock options. The number of shares is compared with the number of shares that would have been issued if all stock options were exercised. The difference is added in the calculation as issued shares without consideration.

| (NOK 1,000) | Q1 2016 | Q1 2015 | 31.12.2015 |
|--|---------|---------|------------|
| Profit before OCI | -46 294 | -46 378 | -156 721 |
| Weighted average of ordinary shares (in 1,000) | 447 867 | 32 242 | 242 283 |
| Adjusted for stock options (in 1,000) | 447 867 | 33 787 | 248 721 |
| Earnings per share diluted | -0.10 | -1.37 | -0.63 |

Earnings per share diluted is for Vardia Insurance Group ASA equivalent to earnings per share. The earnings per share diluted will only be different if conversion of shares increases the deficit per share.

NOTE 6 Bond and other fixed-income securities

During the second quarter 2015, the company invested in low risk money market funds. The value of the portfolio by end of March 2016 was NOK 191.5 million. The managers of the funds are Danske Bank, Storebrand and Nordea.

NOTE 7 Discontinued operations

Vardia on 28 April 2016 announced the sale of its Swedish insurance portfolio to Gjensidige for a total consideration of SEK 200 million and the repurchase of the distribution business in Norway that was divested in 2015. The Swedish portfolio is presented as "held for sale" in the Q1 - 2016 quarter. The business represents the geographic area, Sweden that is considered an operating segment.

| Income statement - Discontinued operations (Sweden) | | | (NOK 1,000) |
|---|----------------|----------------|-----------------|
| | Q1 2016 | Q1 2015 | 31.12.2015 |
| Premium income | | | |
| Gross premiums earned | 156 932 | 123 790 | 607 928 |
| Reinsurance share | -114 992 | -93 404 | -468 707 |
| Premiums earned for own account | 41 940 | 30 386 | 139 221 |
| Other insurance-related income | 170 | 2 369 | 5 958 |
| Claims | | | |
| Gross claims paid | -129 962 | -94 317 | -334 176 |
| Reinsurance share | 92 959 | 71 186 | 209 517 |
| Claims incurred for own account | -37 003 | -23 132 | -124 659 |
| Operating expenses | | | |
| Sales costs | -34 721 | -28 916 | -176 094 |
| Change in prepaid direct sales costs | 0 | 0 | 32 587 |
| Insurance-related administration costs | -15 845 | -14 978 | -35 761 |
| Commission received | 21 783 | 24 988 | 105 779 |
| Total operating expenses for own account | -28 783 | -18 906 | -73 489 |
| Technical result before changes in security reserve etc. | -23 675 | -9 283 | -52 969 |
| Change in security reserve etc. | | | |
| Change in security reserve | 0 | 0 | 0 |
| Total change in security reserve etc. | 0 | 0 | 0 |
| Technical result | -23 675 | -9 283 | -52 969 |
| Net financial income | | | |
| Profit/loss sale of subsidiaries | 0 | 0 | 0 |
| Interest income and dividends etc. on financial assets | 0 | 0 | 2 |
| Total financial income | 0 | 0 | 2 |
| Other income | 0 | 0 | 0 |
| Other expenses | 0 | 0 | 0 |
| Non-technical result | 0 | 0 | 2 |
| Profit before tax | -23 675 | -9 283 | -52 967 |
| Tax | 0 | 0 | 0 |
| Profit before components of comprehensive income | -23 675 | -9 283 | -52 967 |
| Other income and expenses | | | |
| Revaluations | 0 | 0 | 0 |
| Exchange rate differences | 0 | 0 | 0 |
| Actuarial gains and losses on pensions | 0 | 0 | 0 |
| Tax on other result components | 0 | 0 | 0 |
| Total other income and expenses | 0 | 0 | 0 |
| Profit from discontinued operations | -23 675 | -9 283 | -52 967 |

Vardia Insurance Group ASA

- The Board of Directors and the CEO's statement

The Board of Directors and the CEO has today discussed and approved the accounts and the report from the Board of Directors for first quarter 2016 for Vardia Insurance Group ASA and consolidated. The report for first quarter 2016 is prepared in agreement with the requirements in IAS 34 (interim financial reporting).

We confirm, to the best of our knowledge, that the presented set of financial statements for the period 1 January to 31 March 2016 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the financial year and their impact on the presented set of financial statements, a description of the principal risks and uncertainties for the remaining nine months of the financial year, and major related parties transactions.

Oslo, 10 May 2016

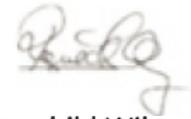
The Board of Directors of Vardia Insurance Group ASA



Age Korsvold
Chairman



Karl Høie



Ragnhild Wiborg



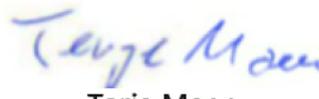
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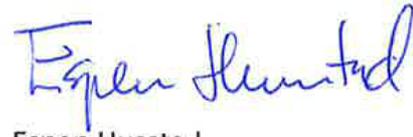
Cecilia Lager



Christer Karlsson



Terje Moen
(employee representative)



Espen Husstad
CEO