



# **REPORT for 3<sup>rd</sup> QUARTER 2015**

## **CONSOLIDATED**



## VARDIA INSURANCE GROUP ASA - CONSOLIDATED

### HIGHLIGHTS

- Gross written premiums in the 3<sup>rd</sup> quarter 2015 were NOK 315.4 million, an increase of 19.8% compared to the 3<sup>rd</sup> quarter 2014
- The Group's gross loss ratio for 3<sup>rd</sup> quarter 2015 was 97.0%, and the loss ratio f.o.a. was 81.2%. Comparable figures for 3<sup>rd</sup> quarter 2014 were 81.3% and 74.1%
- The cost ratio f.o.a. for the Group was 73.2% for the 3<sup>rd</sup> quarter 2015 up from 59.3% for the 3<sup>rd</sup> quarter 2014. The high cost ratios in 2014 and 3<sup>rd</sup> quarter 2015 largely are due to only incremental acquisition costs being deferrable in the consolidated accounts, ref. the annual report for 2014. In addition, in the third quarter, there has been one-off expenses of NOK 36 million, where write-down of intangible assets (without solvency margin capital effect) accounted for NOK 19.0 million and restructuring expenses were NOK 17.0 million
- The implementation of the cost improvement program announced in the 1<sup>st</sup> quarter report is progressing slightly better than plan
- Net loss for the 3<sup>rd</sup> quarter 2015 was NOK 55.7 million, compared to a net loss of NOK 16.8 million for 3<sup>rd</sup> quarter 2014. The net losses of Vardia excluding the one-off expenses were NOK 19.7 million in the third quarter. This was mainly driven by large losses, gross summarizing to NOK 59.0 million
- The Group was restructured with effect from 10 August 2015, whereby the distribution activities were outsourced to independent companies led by current management in these companies

KEY FIGURES (consolidated)	(NOK 1,000)				
	Q3 2015	Q3 2014*	30.09.15	30.09.14*	31.12.14
<b>Gross premiums written</b>	<b>315 391</b>	<b>263 313</b>	<b>1 059 045</b>	<b>826 039</b>	<b>1 166 551</b>
Gross premiums earned	350 003	239 747	976 567	637 744	919 221
Premiums earned f.o.a.	88 177	56 600	252 614	153 888	224 288
Gross incurred losses	-339 342	-195 020	-817 125	-508 547	-811 322
Incurred losses f.o.a.	-71 625	-41 963	-203 562	-118 768	-185 188
Operating expenses for own account	-64 565	-33 573	-200 313	-146 303	-243 749
Other income/expenses	4 109	4 371	12 596	16 806	18 443
<b>Techn. result before changes in sec. reserves**</b>	<b>-43 904</b>	<b>-14 565</b>	<b>-138 666</b>	<b>-94 377</b>	<b>-186 207</b>
Net financial income/expenses	-5 412	2 869	-3 108	5 364	14 423
<b>Operating result</b>	<b>-49 316</b>	<b>-11 696</b>	<b>-141 774</b>	<b>-89 013</b>	<b>-171 783</b>
Changes in security reserves etc.	-3 000	-5 000	-9 026	-13 305	-15 279
<b>Profit/loss before tax</b>	<b>-52 316</b>	<b>-16 696</b>	<b>-150 800</b>	<b>-102 318</b>	<b>-187 062</b>
<b>Total profit/loss for the year (after tax)</b>	<b>-55 692</b>	<b>-16 784</b>	<b>-154 602</b>	<b>-103 654</b>	<b>-188 758</b>
* figures are restated to reflect decreased deferral of incremental acquisition costs					
** figures are ex. allocated return on investment transferred from the non-technical account					
Gross loss ratio	97,0	81,3	83,7	79,7	88,3
Gross cost ratio	35,9	26,2	37,5	37,7	41,5
<b>Gross combined ratio</b>	<b>132,9</b>	<b>107,5</b>	<b>121,2</b>	<b>117,5</b>	<b>129,8</b>
Loss ratio f.o.a.	81,2	74,1	80,6	77,2	82,6
Cost ratio f.o.a.	73,2	59,3	79,3	95,1	108,7
<b>Combined ratio f.o.a.</b>	<b>154,5</b>	<b>133,5</b>	<b>159,9</b>	<b>172,2</b>	<b>191,2</b>
<b>Solvency capital</b>			<b>254 021</b>	<b>143 141</b>	<b>58 690</b>
<b>Capital adequacy</b>			<b>10 %</b>	<b>-9 %</b>	<b>-27 %</b>
<b>Solvency margin</b>			<b>66 %</b>	<b>-26 %</b>	<b>-107 %</b>
<b>Profit/loss after tax per share*</b>	<b>-0,13</b>	<b>-0,52</b>	<b>-0,81</b>	<b>-3,41</b>	<b>-6,15</b>
*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 was established in 2009, and obtained its own insurance license in 2011. The Company started to write premiums for own account in Sweden in 2011, Norway in 2012, and Denmark in 2014.

The 3<sup>rd</sup> quarter 2015 report of the Vardia Insurance Group reflects the recent key developments of the Group. The Consolidated Operating Result is negative as a consequence of recent changes in the application of accounting principles, large losses and one-off expenses related to restructuring and write-offs of intangible assets. The underlying performance of the operations are however continuing to evolve in accordance with plans. The sales organization performs well, according to the new and lower targets. Gross written premiums continues to grow, but with a lower growth rate according to the new plan. However, due to some large losses in 3<sup>rd</sup> quarter, the loss ratio is higher than plan. The implementation of the cost improvement program announced in the 1<sup>st</sup> quarter report is progressing slightly ahead of plan. This and the effect of the restructuring announced last quarter, have had a positive effect on the cost ratio. Despite these positive effects, the cost ratio was approx. 10% points above plan in Q3, due to one-off expenses.

### Premium income

The Company continues to achieve strong growth. In 3<sup>rd</sup> quarter 2015 gross premiums written was NOK 315.4 million, compared to NOK 263.3 million in 3<sup>rd</sup> quarter last year, a growth rate of 19.8%. Gross earned premiums for the same period were NOK 350.0 million, an increase of 46.0% compared to same period last year. Premiums earned for own account for 3<sup>rd</sup> quarter 2015 was NOK 88.2 million, which is a growth of 55.8% compared to same period last year.

Per 3<sup>rd</sup> quarter 2015 gross written premiums was NOK 1,059.0 million, compared to NOK 826.0 million in the same period in 2014. This represents an increase of 28.2%. Gross earned premiums for the same period was NOK 976.6 million, an increase of 53.1%. Premiums earned for own account in per 3<sup>rd</sup> quarter was NOK 252.6 million, which is a growth rate of 64.2%.

Gross premiums written during the 3<sup>rd</sup> quarter is divided between Norway with NOK 156.0 million (increase 2.2%), Sweden with NOK 146.8 million (increase 35.3%) and Denmark NOK 12.6 million. During the quarter, the Company's average monthly new sales was NOK 64.3 million, a reduction of about 24% compared to the same period last year. This is in line with the planned reduction in the growth rate. The renewal rate during the quarter was 89%. As at 30 September 2015, Private Lines accounted for about 74% and Commercial Lines about 26% of premium income. Both private and commercial businesses contributed significantly to the portfolio growth during the quarter.

Vardia Insurance Group ASA had a premium portfolio of NOK 1,455 million as per 30 September 2015, and the portfolio is divided between Norway with NOK 810 million, Sweden with NOK 605 million and Denmark with NOK 40 million. At the end of September, the Group has over 150.000 customers.

### Results and allocation

The accounts for the 3<sup>rd</sup> quarter 2015 are still negatively impacted by the change in the accounting principles relating to the capitalization and amortization of sales costs. Reference is made to the information given in the 4<sup>th</sup> quarter 2014 report, the annual report for 2014, the Prospectus dated 7 May, 2015, the 1<sup>st</sup> quarter 2015 report and the 2<sup>nd</sup> quarter 2015 report. The Company's operating result before changes in minimum-security reserve was a loss of NOK 49.3 in the 3<sup>rd</sup> quarter 2015. In 3<sup>rd</sup> quarter 2014, the operating result was a loss of NOK 11.7 million.

The gross loss ratio in the 3<sup>rd</sup> quarter 2015 was 97.0%, whilst the loss ratio for own account was 81.2%. The corresponding ratios for the same quarter last year were 81.3% and 74.1% respectively. The main reason for the increased difference between gross and net loss ratios relates to several large losses summarizing to NOK 59.0 million, representing 16.9% points of the gross loss ratio. In addition, we still have an increase in the net IBNR reserves within certain lines of business, necessary to fulfill the minimum requirements from the FSA. Per 3<sup>rd</sup> quarter 2015, the gross loss ratio was 83.7% and for own account 80.6%. The corresponding figures for per 3<sup>rd</sup> quarter 2014, were 79.7% and 77.2%, respectively.

Gross loss reserve was NOK 592.4 million, of which NOK 225.4 million was IBNR reserves calculated by the Group's actuary.

The gross cost ratio for the 3<sup>rd</sup> quarter 2015 was 35.9%. In 3<sup>rd</sup> quarter 2014 the gross cost ratio was 26.2%. The cost ratio f.o.a. for the 3<sup>rd</sup> quarter 2015 was 73.2%. In 3<sup>rd</sup> quarter 2014 the cost ratio f.o.a. was 59.3%. Per 3<sup>rd</sup> quarter 2015, the gross cost ratio was 37.5% against 37.7% in the same period in 2014. Per 3<sup>rd</sup> quarter 2015, the cost ratio f.o.a. was 79.3% against 95.1% per 3<sup>rd</sup> quarter 2014. The higher cost ratios in 2014 and 2015 are due to only incremental acquisition costs being deferrable in the consolidated accounts. Stemming from the restructuring, which took place in August 2015, all commission to the Norwegian and Swedish distribution companies are deferrable. There has been accounted for one-off expenses related to the restructuring of NOK 17 million, and intangible assets of NOK 19 million has been written off in the 3<sup>rd</sup> quarter 2015.

Net financial income during the 3<sup>rd</sup> quarter 2015 was a loss of NOK 5.4 million. The Company pursues a conservative investment policy. By end of September 2015 NOK 248.9 million was invested in low risk money market funds. The Company has posted a currency gain of NOK 0.7 million as of 3<sup>rd</sup> quarter 2015 due to the exposure to Swedish and Danish kroner. Net loss from sales of subsidiaries accounted for NOK 2.9 million.

Other income, mainly commission on agency agreements, was NOK 4.1 million in the 3<sup>rd</sup> quarter 2015. Security reserves have increased by NOK 3.0 million during the quarter.

Group result before tax for the 3rd quarter was a loss of NOK 52.3 million, and the total result after tax and components of comprehensive income was a loss of NOK 55.7 million. Per 3<sup>rd</sup> quarter 2015, the total result (after tax and components of comprehensive income) showed a loss of NOK 154.6 million whereof all was allocated to equity.

The Company, as the holding company of the Group, reported a loss after tax and components of comprehensive income of NOK 74.1 million for the 3<sup>rd</sup> quarter 2015. Per 3<sup>rd</sup> quarter 2015, the total result (after tax and components of comprehensive income) showed a loss of NOK 120.2 million which has been allocated to equity.

### **Capital/cash flow**

Net cash flow from operational activities was negative NOK 31.0 million, and net cash flow from investment activities was positive NOK 1.9 million during the quarter. Net cash flow from financial activities was negative NOK 1.6 million. Cash and cash equivalents decreased during the quarter with NOK 30.7 million from NOK 377.9 million to NOK 347.2 million.

The reinsurers' share of gross technical reserves were NOK 981.2 million as of 30 September 2015, compared to NOK 659.0 million on 30 September 2014. The number of shareholders by the end of 3<sup>rd</sup> quarter 2015 was around 3,000.

As of 30 September 2015, solvency margin capital for the Group was NOK 85.7 million. Solvency margin was 65.8%. The Group's capital ratio was 10.1%. The minimum regulatory requirement for capital adequacy is 8%. The Company, as the listed parent insurance company, had a solvency margin of 282.0% and a capital ratio of 44.78% at the end of 3<sup>rd</sup> quarter 2015.

As of 30 September 2015, The Group is thus in breach of the solvency margin on group level and has obtained an exemption from these requirements from the FSA until 30 October 2015. The Company has raised new equity of NOK 48.0 million 25 October 2015. Including the new equity, the solvency margin on group level increased to 111.2% as of end of 3<sup>rd</sup> quarter 2015.

The subsidiaries Vardia Forsikring AS and Vardia Försäkring AB, and the assets in Vardia Eksterne Kanaler 2014 AS (previously Saga Forsikring or Vardia Eksterne Kanaler AS) was sold to management of the companies 10<sup>th</sup> August 2015 for a total of NOK 29 million. The sales gave a net loss of NOK 2.9 million in the Company. Vardia Agencies AS, Vardia Forsikringsagentur A/S, Vardia Eksterne Kanaler AS (previously Saga Forsikring AS or Vardia Eksterne Kanaler AS) and Rein Forsikring AS all hold in the Company's balance sheet at cost.

During 3rd quarter 2015, the Group's total assets increased from NOK 2,007.9 million to NOK 2,127.3 million. The increase is due to the raise of subordinated loan and growth of the insurance portfolio.

### **Preparations Solvency 2**

The Company has, as an integral part of the risk management system, conducted a self-assessment of risk and capital situation in line with the Solvency 2 Directive 2009/138/EC Article 45 (Own Risk and Solvency Assessment - ORSA process). Last year, the ORSA report was submitted to The Financial Supervisory Authority of Norway (FSA) on 4 June 2014. FSA commented the report in a letter dated 22 December 2014. The comments from the FSA are implemented in the 2015 report. The Company has also in the 3rd quarter 2015 continued with the preparations for the Pillar 3 Reporting and the Pillar 2 requirements. The ORSA-report for 2015 is expected to be finalized and submitted to the FSA in November 2015.

At Group level, under Solvency 2, solvency capital ratio is estimated at above 120% as of 1 January 2016.

### **Management changes**

On 7 July 2015, the Board of Directors of Vardia appointed Mr. Espen Husstad as President & CEO of Vardia. Mr. Husstad joined Vardia on 1 October 2015. On 10 August 2015, Mr. Terje Finholdt was by the Board of Directors appointed as CFO. Mr. Jonas Billberg was appointed as COO 16 October 2015. He will be responsible for overseeing Nordic operations within distribution, claims handling, marketing and IT. Prior to joining Vardia, Mr. Billberg has for example served as Senior Vice President and Head of Sales & Service Sweden in If P&C Insurance. He has also had several other leading positions within If. Mr. Billberg will be a part of the management group in the Company, which today consists of CEO Espen Husstad, CFO Terje Finholdt and CUO Rune O. Arneberg, the interim CEO who returns to his previous position.

### **Restructuring the Group**

The Board of Directors has carefully reviewed the strategic options of the Group, as previously explained in the Prospectus dated 7 May 2015. Under the accounting principles applicable for the current legal structure, the Company would need NOK 150 million of additional equity capital in order to meet the statutory capital adequacy requirements. As a consequence, the Board of Directors on 10 August decided to organize the sales and distribution activities through external partners by selling the distribution activities in Norway and Sweden to current management with a long term partnership and distribution agreement. The decision was implemented with immediate effect. By distributing through independent channels, sales and its related costs are presented in a more balanced way, and reported results will be improved compared to the current practice. Consequently, the capital need of the Group is reduced. Furthermore, Vardia Agencies AS is planned to be sold within end of 1<sup>st</sup> quarter of 2016, and the remaining Norwegian subsidiaries will be merged into the Company before end of 2015.

An Extraordinary General Meeting for approval of the restructuring, and a Board authorization to increase the share capital up to 10% took place 7 September 2015.

Over the last months, Vardia has been focusing on successfully implementing the restructuring and efficiency measures previously communicated, without affecting the performance of the Company, in addition to maintain a strong relationship to its customers and partners. New sales is reduced in line with communicated targets, and the cooperation with the distribution subsidiaries that were recently sold is working well and according to plan.

#### **Future developments**

Vardia has lived through a very turbulent period following the announcement in conjunction with the 4Q report that the company would have to adapt its accounting principles. The unexpected change in accounting principles created a need to recapitalize the Company, a new top management team is in the process of being established. The Board also decided to restructure the sales organization of the Company in order to avoid further highly adversarial capital requirements.

In spite of these challenges, the operating organization of Vardia has been able to stay focused and perform in accordance with plans during this period. This is again confirmed in the 3rd quarter, and the Board see it as confirmation that Vardia since its inception has been able to build a strong operating organization, and also that there is demand in the market for the concept that Vardia offers. While sales force has been reduced Vardia continues to grow and compete effectively in the markets where it operates.

Going forward, the Board first of all now feels confident that the challenges with the solvency capital margin are behind us as a consequence of the introduction of solvency 2. The focus will now be to continue to streamline the organization, reduce cost and improve efficiency, and in general ensure that the underwriting culture remains "best in class". This enables the company to create further value for the shareholders.

Oslo, 9 November 2015  
The Board of Directors of Vardia Insurance Group ASA

<b>Consolidated income statement</b>		(NOK 1,000)				
	Note	Q3 2015	Q3 2014*	30.09.15	30.09.14	31.12.2014
<b>Premium income</b>	2					
Gross premiums written		315 391	263 313	1 059 045	826 039	1 166 551
Ceded reinsurance premiums		-230 238	-194 478	-785 547	-623 024	-869 497
<b>Premiums written for own account</b>		85 153	68 835	273 498	203 015	297 054
Change in premium reserves gross		34 612	-23 566	-82 478	-188 295	-247 330
Reinsurance share		-31 588	11 331	61 594	139 168	174 564
<b>Premiums earned for own account</b>		<b>88 177</b>	<b>56 600</b>	<b>252 614</b>	<b>153 888</b>	<b>224 288</b>
<b>Allocated return on investment transferred from the non-technical account</b>		<b>626</b>	<b>822</b>	<b>1 893</b>	<b>2 329</b>	<b>3 238</b>
		0	0			
<b>Other insurance-related income</b>		<b>4 109</b>	<b>4 371</b>	<b>12 596</b>	<b>16 806</b>	<b>18 443</b>
<b>Claims</b>	2					
Gross claims paid		-197 547	-126 201	-669 566	-386 785	-603 552
Reinsurance share		150 668	96 023	509 631	293 766	458 561
Change in gross claims reserve		-141 795	-68 819	-147 559	-121 762	-207 770
Reinsurance share		117 049	57 034	103 932	96 013	167 573
<b>Claims incurred for own account</b>		<b>-71 625</b>	<b>-41 963</b>	<b>-203 562</b>	<b>-118 768</b>	<b>-185 188</b>
<b>Operating expenses</b>						
Sales costs		-66 781	-61 589	-274 039	-200 973	-323 676
Insurance-related administration costs		-59 043	-1 114	-92 477	-39 636	-57 849
Commission received		61 259	29 130	166 203	94 306	137 776
<b>Total operating expenses for own account</b>		<b>-64 565</b>	<b>-33 573</b>	<b>-200 313</b>	<b>-146 303</b>	<b>-243 749</b>
<b>Technical result before changes in security reserve etc.</b>		<b>-43 278</b>	<b>-13 743</b>	<b>-136 773</b>	<b>-92 048</b>	<b>-182 969</b>
<b>Change in security reserve etc.</b>						
Change in security reserve		-3 000	-5 000	-9 026	-13 305	-15 279
<b>Total change in security reserve etc.</b>		<b>-3 000</b>	<b>-5 000</b>	<b>-9 026</b>	<b>-13 305</b>	<b>-15 279</b>
<b>Technical result</b>		<b>-46 278</b>	<b>-18 743</b>	<b>-145 799</b>	<b>-105 353</b>	<b>-198 248</b>
<b>Net financial income</b>						
Loss sale of subsidiaries		-2 877	0	-2 877	0	0
Interest income and dividends etc. on financial assets		-2 536	2 869	-232	5 364	14 423
<b>Total financial income</b>		<b>-5 412</b>	<b>2 869</b>	<b>-3 108</b>	<b>5 364</b>	<b>14 423</b>
<b>Allocated return on investment transferred to the technical account</b>		<b>-626</b>	<b>-822</b>	<b>-1 893</b>	<b>-2 329</b>	<b>-3 238</b>
<b>Non-technical result</b>		<b>-6 038</b>	<b>2 047</b>	<b>-5 001</b>	<b>3 035</b>	<b>11 185</b>
<b>Profit before tax</b>		<b>-52 316</b>	<b>-16 696</b>	<b>-150 800</b>	<b>-102 318</b>	<b>-187 062</b>
Tax		0	0	0	0	-868
<b>Profit before components of comprehensive income</b>	5	<b>-52 316</b>	<b>-16 696</b>	<b>-150 800</b>	<b>-102 318</b>	<b>-187 930</b>
<b>Other income and expenses</b>						
Revaluations		0	0	0	-1 171	-1 171
Exchange rate differences		-3 376	-88	-3 802	-165	3 677
Actuarial gains and losses on pensions		0	0	0	0	-3 334
Tax on other result components		0	0	0	0	0
<b>Total other income and expenses</b>		<b>-3 376</b>	<b>-88</b>	<b>-3 802</b>	<b>-1 336</b>	<b>-828</b>
<b>Profit for the year</b>		<b>-55 692</b>	<b>-16 784</b>	<b>-154 602</b>	<b>-103 654</b>	<b>-188 758</b>

\* Figures for Q3 2014 are restated.

**Consolidated statement of financial position**

(NOK 1,000)

	Note	30.09.2015	30.09.2014*	31.12.2014
<b>Assets</b>				
Goodwill		54 137	64 202	57 792
Other intangible assets	4	64 257	63 801	69 278
Deferred tax benefit		0	0	0
Plant and equipment		4 625	7 477	8 168
<b>Financial assets</b>				
Investments in shares and parts		0	0	0
Bonds and other fixed-income securities	6	248 939	0	0
Reinsurance share of gross technical reserves		981 161	658 980	791 965
Receivables in connection with direct insurance and reinsurance		481 951	348 727	399 700
Other receivables		54 217	24 598	23 594
Prepaid costs and earned income not received		139 786	78 947	97 227
Cash and cash equivalents		98 258	217 513	184 977
<b>Total assets</b>		<b>2 127 331</b>	<b>1 464 244</b>	<b>1 632 701</b>
<b>Equity and liabilities</b>				
Share capital		32 579	2 572	2 579
Subscribed but unregistered capital		0	8	0
Share premium		862 674	552 850	552 382
Other paid-in-equity		2 541	2 064	2 541
Other equity		-697 244	-446 368	-538 280
Provision for Natural Perils Fund		0	184	428
Provision for Guarantee scheme		12 471	1 831	7 067
<b>Total equity</b>	3	<b>213 021</b>	<b>113 141</b>	<b>26 716</b>
<b>Subordinated loan</b>		73 903		
<b>Provision for liabilities</b>				
Gross premium reserve		703 585	526 527	610 404
Gross claims reserve		592 448	334 846	431 422
Other technical provisions		41 000	30 000	31 974
Pension liabilities		8 019	6 173	8 019
<b>Financial liabilities</b>				
Other liabilities		25 904	32 853	33 721
Liability for current tax		0	1 352	868
Liabilities in connection with direct insurance and reinsurance		335 813	314 890	341 894
Accrued costs and received unearned income		133 639	104 462	147 682
<b>Total liabilities</b>		<b>1 914 310</b>	<b>1 351 103</b>	<b>1 605 984</b>
<b>Total equity and liabilities</b>		<b>2 127 331</b>	<b>1 464 244</b>	<b>1 632 701</b>

<b>Statement of cash flow - consolidated</b>					(NOK 1,000)
	Q3 2015	Q3 2014	30.09.2015	30.09.2014	31.12.2014
Net cash flow from operational activities	-31 045	-51 536	-164 183	-51 536	-64 712
Net cash flow from investment activities	1 909	-24 055	-13 889	-24 055	-42 277
Net cash flow from financial activities	-1 582	640	340 292	162 051	160 913
<b>Net change in cash and cash equivalents</b>	<b>-30 718</b>	<b>-74 951</b>	<b>162 220</b>	<b>86 460</b>	<b>53 924</b>
Cash and cash equivalents at the beginning of the period	377 915	218 874	184 977	131 053	131 053
Cash and cash equivalents at the end of the period	347 197	217 513	347 197	217 513	184 977
<b>Net cash flow for the period</b>	<b>-30 718</b>	<b>-1 361</b>	<b>162 220</b>	<b>86 460</b>	<b>53 924</b>
<b>Specification of cash and cash equivalents</b>					
Cash in hand and bank	347 197	217 513	347 197	217 513	184 977
<b>Total cash and cash equivalents</b>	<b>347 197</b>	<b>217 513</b>	<b>347 197</b>	<b>217 513</b>	<b>184 977</b>

<b>Statement of changes in equity - consolidated</b>								(NOK 1,000)
	Share capital	Share premium	Other equity	Other earned equity	Natural perils fund	Guarantee scheme	Total	
<b>Equity as at 1st January 2014</b>	<b>2 080</b>	<b>380 912</b>	<b>960</b>	<b>-343 858</b>	<b>0</b>	<b>1 831</b>	<b>41 925</b>	
Increase in equity in Q1 2014	25	9 917					9 942	
Subscribed equity, paid 3rd April 2014*		172 182					172 182	
Cost related to capital issue		-9 868					-9 868	
Changes in provisions in Q1 2014				-1 762	1 762		0	
Profit before OCI				-43 936			-43 936	
Other result components (net after tax)				-55			-55	
Other				-388			-388	
<b>Equity as at 31st March 2014</b>	<b>2 105</b>	<b>553 143</b>	<b>960</b>	<b>-389 999</b>	<b>1 762</b>	<b>1 831</b>	<b>169 802</b>	
* 172.182 is made up of share capital 467 (subscribed but not registered) and share premium 171.715								
<b>Equity as at 1st April 2014</b>	<b>2 105</b>	<b>553 143</b>	<b>960</b>	<b>-389 999</b>	<b>1 762</b>	<b>1 831</b>	<b>169 802</b>	
Increase in equity in Q2 2014	467	-467					0	
Cost related to capital issue		-903					-903	
Changes in provisions in Q2 2014				-825	825		0	
Profit before OCI				-41 686			-41 686	
Other result components (net after tax)				-1 193			-1 193	
Option expenses			629				629	
Other				-634			-634	
<b>Equity as at 30th June 2014</b>	<b>2 572</b>	<b>551 773</b>	<b>1 589</b>	<b>-434 337</b>	<b>2 587</b>	<b>1 831</b>	<b>126 015</b>	
<b>Equity as at 1st July 2014</b>	<b>2 572</b>	<b>551 773</b>	<b>1 589</b>	<b>-434 337</b>	<b>2 587</b>	<b>1 831</b>	<b>126 015</b>	
Subscribed equity, registered in Q3*		1 245					1 245	
Cost related to capital issue		-160					-160	
Changes in provisions in Q3 2014				2 403	-2 403		0	
Profit before OCI				-16 696			-16 696	
Other result components (net after tax)				-88			-88	
Option expenses			475				475	
Other				2 350			2 350	
<b>Equity as at 30th Sept. 2014</b>	<b>2 572</b>	<b>552 858</b>	<b>2 064</b>	<b>-446 368</b>	<b>184</b>	<b>1 831</b>	<b>113 141</b>	
* 1.245 is made up of share capital 8 (subscribed but not registered) and share premium 1.237								
<b>Equity as at 1st October 2014</b>	<b>2 572</b>	<b>552 858</b>	<b>2 064</b>	<b>-446 368</b>	<b>184</b>	<b>1 831</b>	<b>113 141</b>	
Increase in equity in Q4 2014	7	-7					0	
Cost related to capital issue		-469					-469	
Changes in provisions in Q4 2014				-5 480	244	5 236	0	
Profit before OCI				-85 612			-85 612	
Other result components (net after tax)				508			508	
Option expenses			477				477	
Other				-1 329			-1 329	
<b>Equity as at 31st Dec. 2014</b>	<b>2 579</b>	<b>552 382</b>	<b>2 541</b>	<b>-538 281</b>	<b>428</b>	<b>7 067</b>	<b>26 716</b>	
<b>Equity as at 1st January 2015</b>	<b>2 579</b>	<b>552 382</b>	<b>2 541</b>	<b>-538 281</b>	<b>428</b>	<b>7 067</b>	<b>26 716</b>	
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
<b>Equity as at 31st March 2015</b>	<b>2 579</b>	<b>552 382</b>	<b>2 541</b>	<b>-593 682</b>	<b>728</b>	<b>7 067</b>	<b>-28 385</b>
<b>Equity as at 1st April 2015</b>	<b>2 579</b>	<b>552 382</b>	<b>2 541</b>	<b>-593 682</b>	<b>728</b>	<b>7 067</b>	<b>-28 385</b>
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
<b>Equity as at 30th June 2015</b>	<b>32 579</b>	<b>864 256</b>	<b>2 541</b>	<b>-636 695</b>	<b>0</b>	<b>7 067</b>	<b>269 748</b>
<b>Equity as at 1st July 2015</b>	<b>32 579</b>	<b>864 256</b>	<b>2 541</b>	<b>-636 695</b>	<b>0</b>	<b>7 067</b>	<b>269 748</b>
Increase in equity in Q3 2015							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
<b>Equity as at 30th September 2015</b>	<b>32 579</b>	<b>862 674</b>	<b>2 541</b>	<b>-697 244</b>	<b>0</b>	<b>12 471</b>	<b>213 021</b>

## NOTE 1 Accounting principles

The accounts and the report from the Board of Directors for 3<sup>rd</sup> quarter 2015 are prepared according to IAS 34. The consolidated accounts is prepared according to IFRS from 2013. Reference is made to the annual report for 2013 and 2014. The accounts for 3<sup>rd</sup> quarter 2014 has been restated according to the same accounting principles as for the year 2014.

## NOTE 2 Segment information

Norway (NOK 1,000)	Q3 2015	Q3 2014	30.09.15	30.09.2014	31.12.2014
Gross premiums written	156 003	152 698	564 430	480 415	684 401
Premiums earned f.o.a.	51 521	31 383	149 709	86 272	127 523
Other income	3 477	1 779	6 629	8 935	7 726
Incurred claims and operating expenses f.o.a.	-63 010	-39 556	-197 921	-131 962	-228 701
<b>Technical result</b>	<b>-8 012</b>	<b>-6 394</b>	<b>-41 583</b>	<b>-36 755</b>	<b>-93 452</b>

Sweden (NOK 1,000)	Q3 2015	Q3 2014	30.09.15	30.09.2014	31.12.2014
Gross premiums written	146 768	108 436	458 254	342 272	473 666
Premiums earned f.o.a.	34 229	25 063	97 801	67 427	96 132
Other income	633	2 593	5 958	7 871	10 717
Incurred claims and operating expenses f.o.a.	-36 365	-33 625	-135 008	-118 365	-172 958
<b>Technical result</b>	<b>-1 502</b>	<b>-5 969</b>	<b>-31 249</b>	<b>-43 067</b>	<b>-66 108</b>

Denmark (NOK 1,000)	Q3 2015	Q3 2014	30.09.15	30.09.2014	31.12.2014
Gross premiums written	12 619	2 179	36 361	3 352	8 484
Premiums earned f.o.a.	2 427	154	5 104	189	633
Other income	0	0	9	0	0
Incurred claims and operating expenses f.o.a.	-36 815	-2 356	-70 945	-14 744	-27 279
<b>Technical result</b>	<b>-34 387</b>	<b>-2 202</b>	<b>-65 832</b>	<b>-14 555</b>	<b>-26 646</b>

## NOTE 3 Changes in equity

The company had a capital issue of net NOK 346 million in the 2nd quarter 2015. 375.000.000 new shares were issued. Reference is made to the statement of changes in equity.

## NOTE 4 Other intangible assets

The Group has during 3<sup>rd</sup> quarter 2015 net decrease in intangible assets and plant and equipment of NOK 15.8 million. The balance of NOK 64.3 million refers to development of the Group's insurance systems and acquisition of an insurance portfolio. Both the Group's insurance systems and the insurance portfolio is depreciated over 7 years. Other intangible assets have been written-off in 3<sup>rd</sup> quarter with NOK 15.4 million.

## NOTE 5 Earnings per share

### a) Earnings per share (NOK 1,000)

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

	Q3 2015	Q3 2014	30.09.2015	30.09.2014	31.12.2014
Profit before OCI	-52 316	-16 696	-150 800	-102 318	-102 318
Earnings per share	-0.13	-0.52	-0.81	-3.41	-3.41

### b) Earnings per share, diluted (NOK 1,000)

By calculation of diluted earnings per share, a weighted average of total outstanding shares through the quarter are 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 are compared with the number of shares that would have been issued if all stock options were exercised. The difference is taken into account in the calculation as issued shares without consideration.

	Q2 2015	Q2 2014	30.09.2015	30.09.2014	31.12.2014
Profit before OCI	-52 316	-16 696	-150 800	-102 318	-102 318
Weighted average of ordinary shares (in 1000)	407 242	32 144	186 895	30 016	30 016
Adjusted for stock options (in 1000)	412 787	33 787	192 441	31 659	31 659

Earnings per share diluted	-0.13	-0.52	-0.81	-3.41
Earnings per share diluted is for Vardia Insurance Group ASA equivalent to the earnings per share. The earnings per share diluted will only be affected if conversion of shares increases the deficit per share.				

## NOTE 6 Bond and other fixed-income securities

The Group invested in the 2<sup>nd</sup> quarter in low risk money market funds. The value of the portfolio by end of September was NOK 248.9 million. The managers of the funds are Danske Bank, Storebrand and Nordea.

## 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 3<sup>rd</sup> quarter 2015 for Vardia Insurance Group ASA and consolidated. The report for 3<sup>rd</sup> quarter 2015 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 30 September 2015 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 first nine months of the financial year and their impact on the presented set of financial statements, a description of the principal risks and uncertainties for the remaining three months of the financial year, and major related parties transactions.

Oslo, 9 November 2015

The Board of Directors of Vardia Insurance Group ASA

Åge Korsvold <i>Chairman</i>	Karl Høie <i>Vice Chairman</i>	
Line Sanderud Bakkevig	Nina Charlott Gullerud	
Nils Aakvik	Anita Storborg Bøen (Employee representative)	Espen Husstad <i>CEO</i>