



*Annual report 2013*

# White Mountains, our owners

## White Mountains Insurance Group, Ltd.

A financial services holding company with primary business interests in property and casualty insurance and reinsurance. White Mountains' corporate headquarters and its registered office are located in Hamilton, Bermuda, and its principal executive office is located in Hanover, New Hampshire. White Mountains conducts its principal businesses through:

### SIRIUS INTERNATIONAL INSURANCE GROUP, LTD.

Global reinsurance.

### ONEBEACON

Specialty insurance. OneBeacon's common shares are listed on the New York Stock Exchange under the symbol "OB". White Mountains owns 75% of OneBeacon.

### HG GLOBAL

U.S. municipal bond reinsurance.

### WHITE MOUNTAINS ADVISORS

Investment management with \$34 billion of assets under management.

White Mountains' common shares are listed on the New York Stock Exchange and the Bermuda Stock Exchange under the symbol "WTM". Market capitalization as of December 31, 2013 was \$3.7 billion. As of December 31, 2013, White Mountains reported total assets of \$12.1 billion, adjusted shareholders' equityNGM of \$3.9 billion, and adjusted book value per shareNGM of \$642.

## Sirius International Insurance Group, Ltd.

A Bermuda-domiciled holding company whose operating companies offer capacity for property, accident & health, trade credit, aviation, marine and other exposures. Our principal operating companies are:

### SIRIUS INTERNATIONAL INSURANCE CORPORATION

A Swedish-based international reinsurer that focuses mainly on property and other short-tailed lines. Sirius International is the largest reinsurance company in Scandinavia and a leading reinsurer in Europe. Sirius International's home office is in Stockholm, and it has offices in Australia, Bermuda, Copenhagen, Hamburg, Liège, London, Singapore and Zürich.

### SIRIUS AMERICA INSURANCE COMPANY

A U.S.-based, international, (re)insurance company that focuses on the property and accident & health lines in North and Latin America. Sirius America's home office is in New York with branch offices in Miami and Toronto.

### SIRIUS SYNDICATE 1945

A Lloyd's syndicate that began writing business at July 1, 2011 with initial stamp capacity of £93 million and focus on accident & health, contingency, property and marine.

### WHITE MOUNTAINS SOLUTIONS INC.

A Connecticut-based professional team specializing in opportunistic structured acquisitions of run-off property and casualty insurance liabilities. The team further enhances transaction returns via effective post-acquisition management of the run-off process.

### SIRIUS CAPITAL MARKETS

In May 2013, responding to the growing trend of capital markets participation in business traditionally written by the reinsurance industry, Sirius Group announced the formation of a dedicated team – Sirius Capital Markets ("SCM") – to lead its strategic initiative in this important arena. The SCM platform consists of Sirius Capital Markets (Bermuda) Ltd., a Bermuda licensed insurance manager, Sirius Capital Markets, LLC, a Delaware limited liability company, both of which registered as an investment adviser with the SEC (with effect in November 2013), and Alstead Reinsurance Ltd., a newly formed Bermuda exempted company. SCM will offer institutional investors products linked to property catastrophe risk.





# Comments from the President & CEO

I am pleased to report another very successful year for the Sirius International group. Profits rose substantially, aided by a benign environment for the reinsurance industry as a whole. Market conditions remain challenging with continued soft pricing. I am confident, however, that our well-proven teams and cautious underwriting approach will continue to hold us in good stead.

The amount of claims from natural catastrophes was significantly lower than average last year. The biggest losses centred on Germany. Floods there and in neighbouring countries cost Sirius \$27 million, whilst hail storms in July came in at \$17 million. Bad weather in the Nordic countries towards the end of 2013 also had a significant impact.

It is worth recording that we have now made an underwriting profit in every one of the ten years since becoming part of the White Mountains Group. In that time our combined ratio has averaged 86% so, although the 2013 year was better than average, it was by no means exceptional. It was part of a long-term pattern of profitability that makes Sirius a stable business partner for our clients.

In terms of how we operate, things have settled down after a period of restructuring, including the successful integration of what is now Sirius America into the group. One of the main developments in 2013 was at Lloyd's, where we have started work on the creation of a managing agency, due to go live in July 2014, to oversee our Syndicate. The main benefit of an Integrated Lloyd's Vehicle, as the arrangement is known, will be a significant reduction in our cost base and so an increase in our competitiveness.

Last year, I reported that Sirius America had added direct Accident and Health to its book. Since then, this line has taken off and become an important pillar of the business. For the group generally, though, it has been enough to maintain our successful formula based on long-term relationships and responsible underwriting. All territories and classes of business performed well, contributing to an outstanding result.

We continue, meanwhile, to be well advanced in our preparations for Solvency II. It looks increasingly likely that this measure will come into force in January 2016. Whatever the date, we shall be ready.

Looking ahead, rates remain too low for us to relax our standards. Despite rises in a few areas, we saw a thinning of margins overall at the end-of-year renewal season. Our consistency shows that we can prosper even when times are tough, as they were in 2011. Nonetheless, market conditions dictate a continued emphasis on the disciplined underwriting that is the source of our strength.

For me personally 2014 will be momentous. I shall be stepping down as CEO of Sirius International in March after 24 years in my current role, staying on as chairman until the end of the year. I am delighted that my colleague Monica Cramér Manhem will be taking over the helm. Her deep and long-standing experience of our business and our values makes her perfectly suited to lead the company. She will have the support of the same well-established team that has made Sirius the company it is today. In particular, Chief Underwriting Officer Jan Onselius and Group CFO Lars Ek have, between them, been with the company for more than six decades.

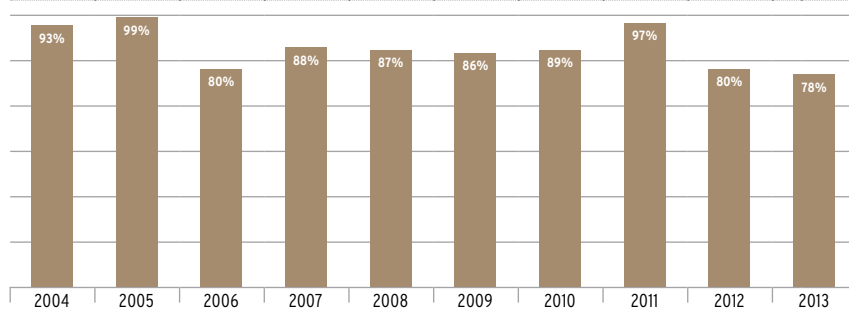
I thank all our staff for their loyalty and professionalism over the years and, last but not least, our customers and brokers. It has been a pleasure to be of service.



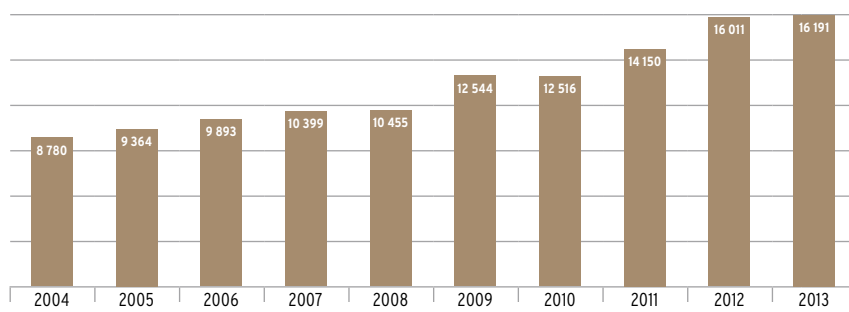
GÖRAN THORSTENSSON  
*President & CEO*

<b>AT A GLANCE (PARENT)</b>	<b>2013</b>	<b>2012</b>
Net premium income	\$525 million	\$595 million
Claims net of reinsurance	\$249 million	\$315 million
Underwriting profit	\$119 million	\$122 million
Combined Ratio	78%	80%
Income before tax	\$327 million	\$182 million

#### COMBINED RATIO (PARENT)



#### SOLVENCY CAPITAL (GROUP), MSEK



# Board of Directors' Report

The Board of Directors and Managing Director of Sirius International Försäkringsaktiebolag (publ), (Sirius International), Corporate Identity Number 516401-8136, hereby present the Annual Report for 2013.

## GENERAL INFORMATION REGARDING THE COMPANY

Sirius Sirius International operates within international insurance and reinsurance. Sirius International was established in 1989. However, the operations were initially started within Sirius Insurance in 1945. In 1989, the reinsurance operations were transferred to Sirius International. Sirius International has been the Parent Company in the Group since 1992.

## DEVELOPMENT OF THE COMPANY'S OPERATIONS, INCOME AND FINANCIAL POSITION

The year 2013 was a positive one for the industry, primarily because it represented yet another year without any major claims arising from natural disasters such as earthquakes, hurricanes, storms and floods. Though these types of claims have arisen, their extent has been limited compared with previous years and the outcome has been relatively limited for Sirius International. The following claims events represent a summary of the major claims impacting the Company's insurance portfolio. At the end of June and beginning of July, Central Europe was hit by severe flooding after persistent rainfall. The countries which were hit the hardest were Germany, Austria, Slovakia and Hungary, and the outcome of the damage, in terms of its financial cost to the Company, is estimated at approximately MSEK 176. In July, Germany suffered hailstorms which caused significant damage, for which the outcome for the Company is estimated at approximately MSEK 119. In October, Typhoon Fitow made landfall in southeast China, causing a substantial level of destruction. The costs to the Company are estimated to total approximately MSEK 52. The storm Ivar which caused major damage to forest properties in Norrland (Sweden) in December, is estimated to have resulted in claims of MSEK 24 for own account.

The major claims from natural disasters during previous years developed favorably during the year, resulting in a positive run-off result for 2013. The price levels of the insurance portfolio for the current year have been satisfactory for the majority of markets and insurance classes. The portion of the insurance portfolio, which was renewed at the beginning of 2014, was exposed to a certain amount of price pressure, with falling prices in certain markets and insurance classes. Overall, the pricing for 2014 is deemed to be satisfactory.

In 2013, the operation of Syndicate 1945 at Lloyd's has developed well. The Syndicate has successfully signed new, profitable business through Lloyd's sales channels and, during the

year, additional classes, primarily ceded property and shipping reinsurance, have been added to the portfolio. A reorganization is planned for later this year, whereby the administration of the Syndicate will be handled under its own management in a newly-formed subsidiary, Sirius International Managing Agency Ltd., which is wholly-owned by Sirius International.

In the sub-subsidiary, Sirius America Insurance Company, the integration process, mainly focusing on systems alignment, and business and administration processes, has progressed successfully during the year and this work will continue in 2014.

Gross premium income amounted to MSEK 7,445 (8,081) for the Group and MSEK 5,173 (5,779) for the Parent Company. The Group's premium income for own account amounted to MSEK 5,729 (6,304), and MSEK 3,423 (4,014) for the Parent Company. For the Group the premium volume was 8% lower compared to previous year, and 10% lower for the Parent Company. The decrease in premium volume compared with the previous year is due to a more fierce competition in the market, where certain business quotations were deemed to have insufficient pricing to meet the company's criteria for profitability. The decreases have been noted, primarily, within Accident & Health insurance, certain types of property reinsurance and Aviation reinsurance.

The Group's operating profit from insurance operations amounted to MSEK 1,008 (1,057) and to MSEK 829 (1,104) for the Parent Company. The combined ratio amounted to 83% (90%) for the Group and 78% (80%) for the Parent Company. The strong insurance operating result is very gratifying and reflects the Company's successful strategy, with a well-diversified insurance portfolio and good spread of risk.

During 2013 stock markets was broadly strengthened, Dow Jones ended at +26.5%, OMX 30 at +20.7%, Nikkei 225 at +56.7% and DAX at +25.5%.

The Eurozone has seen a significant recovery during the year, with the economies of the crisis-stricken countries of Spain, Portugal, and Ireland experiencing an upturn, partly because of the ECB having guaranteed to provide emergency loans to countries in need of such guarantees. Germany has generated a large budget surplus which has also contributed to a strong development in Europe. The British economy has also recovered more rapidly than expected, despite still having one of the largest budget deficits of the G20 countries.

The American stock markets have experienced a positive trend, with Dow Jones experiencing its most positive development in a decade, and these stock markets are believed to have recovered completely from the market crash in 2008.

The Japanese stock markets have benefitted from the so-called

“Abenomics” economic measures, which resulted in the yen dropping significantly against the USD, flooding the market with cheap funding. The export-heavy sectors have benefitted from these developments, as shown by a sharp increase in share prices.

The markets in the USA, Sweden, Germany and the UK are the most important for the Group’s bond portfolio. The interest levels on three and five-year government bonds in the USA, Sweden and the UK increased in 2013 in the range of 40 to 100 interest basis points. In Germany, the interest rates remained virtually unchanged.

Overall, yield on the bond portfolio was 0.8% adjusted for exchange rate effects. As regards the share portfolio, including investments in Hedge Funds and Private Equity investments, the yield amounted to 34.4%, adjusted for exchange rate effects. The realized and unrealized exchange rate result, net after currency hedging and including translation differences from foreign subsidiaries, amounted to a loss of MSEK 15. The exchange rate loss is due to the strengthening of the SEK against the USD, which was partially offset by a weakening of SEK against GBP and EUR. Exchange rate hedging against the USD has been undertaken to the same extent as previous year and the total nominal hedged amount is continuing to be MUSD 600. Per year end the portion of the solvency capital that is exposed to foreign currency is somewhat lower than during the previous year.

The Investment result for the Group including unrealized gains and losses from the bond portfolio accounted for in Other comprehensive income but before allocation of interest to the insurance operations, shows a profit of MSEK 1,255 (1,413). The Group’s direct yield was 2.0% (2.3%) and the total yield was 3.6% (5.4%). The direct and total yields are calculated according to the recommendations of The Swedish Financial Supervisory Authority. The investment portfolio’s concentration and composition are largely unchanged compared with the previous year. At year-end, the consolidated investment portfolio had the following composition: Bonds and other interest bearing securities 72%, Shares and participations 18%, Bank funds 9% and Currency related derivatives 1%.

Other events regarding the changes in the Group’s structure are described primarily under the section “Ownership structure” below.

**OWNERSHIP STRUCTURE** Sirius International Försäkringsaktiebolag (publ) is a wholly-owned subsidiary of Fund American Holdings AB (Corporate Identity Number 556651-1084), Stockholm, Sweden. Fund American Holdings AB is a wholly-owned subsidiary of Sirius Insurance Holding Sweden AB (Corporate Identity Number 556635-9724), Stockholm, Sweden, which is the ultimate entity in the Swedish Group structure and which is, in turn, owned by White Mountains Insurance Group Ltd, Hamilton, Bermuda.

At the end of the year 2013, the Group comprised the Parent Company, Sirius International Försäkringsaktiebolag (publ), with the subsidiaries Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium; Sirius Rückversicherungs Service GmbH, Hamburg, Germany; Sirius International Holdings (NL) B.V., Amsterdam, Holland; Passage2Health Ltd., London, United Kingdom; White Mountains Re Sirius Capital Ltd., London, United Kingdom; Sirius International Managing Agency Ltd., London, United Kingdom, WM Phoenix (Luxembourg) S.à r.l., Luxembourg; White Sands Holdings (Luxembourg) S.à r.l., Luxembourg and S.I. Holdings (Luxembourg) S.à r.l., Luxembourg.

In addition, Sirius International has eight branch offices outside Sweden. These are Sirius International Insurance Corporation (publ) UK branch, London, United Kingdom; Sirius International Insurance Corporation (publ) Stockholm Zürich branch, Zürich, Switzerland; Sirius International Insurance Corporation (publ) Asia branch, Singapore; Sirius International Insurance Corporation (publ) Labuan branch, Labuan, Malaysia; Sirius International Insurance Corporation (publ) Belgian branch, Liège, Belgium; Sirius International Danish Branch, filial af Sirius International Försäkringsaktiebolag (publ), Copenhagen, Denmark; Sirius International Insurance Corporation (publ) Bermuda Branch, Hamilton, Bermuda and Sirius International Insurance Corporation (publ) Australian Branch, Australia. In Hamburg, Germany, the operations are conducted through the agency, Sirius Rückversicherungs Service GmbH, which provides insurance on behalf of Sirius International.

During 2001, Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium commenced voluntary liquidation proceedings, as the company had ceased to conduct operations. The liquidation remains incomplete, as the result of a tax dispute. The outcome of the dispute will not impact the company’s financial position.

#### SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

On January 25, 2013, Sirius International acquired, through an intra-Group transaction, all of the shares in the company, S.I. Holdings (Luxembourg) S.à r.l. from White Sands Holdings (Luxembourg) S.à r.l. In conjunction with the transaction, the shares in White Sands Holdings (Luxembourg) S.à r.l. have been written down in an amount of MSEK 699. On the same date, Sirius International contributed new capital to S.I. Holdings (Luxembourg) S.à r.l. amounting to MSEK 1,954, in exchange for preferential shares in the company. In September and October, additional capital, MSEK 180, was injected into S.I. Holdings (Luxembourg) S.à r.l.

In May, the subsidiary, Sirius International Managing Agency Ltd., was established in London, United Kingdom. The company has been formed to act as Managing Agent for Syndicate 1945 at Lloyd's and, in 2014, to assume the administration of the Syndicate, which is presently handled by an external party.

In September, the remaining minority interest of 25% in Passage2health Ltd., London, United Kingdom, was acquired. Consequently, the company now constitutes a wholly-owned subsidiary.

In September, Sirius International Holdings (NL) B.V., Amsterdam, the Netherlands, executed a capital repayment totaling MSEK 58.

In October, a major contract involving ceded Japanese life reinsurance was transferred to another company within the White Mountains Group. The contract had a ceded retrocession level of 100%, and, consequently, the transfer was made without any impact on results. Technical provisions received and issued decreased by MSEK 915 in conjunction with the transaction.

In December, Sirius International's subsidiaries WM Phoenix (Luxembourg) S.à r.l. and S.I. Holdings (Luxembourg) S.à r.l. declared dividends of MSEK 866 and MSEK 84 respectively. Furthermore, in December, at Extra general meetings of shareholders of Sirius International, additional dividends were declared of MSEK 1,332.

Sirius International's CEO, Göran Thorstensson, is due to retire on March 1, 2014, although he will continue to hold Board positions within the Sirius International Group. The Board of Directors has appointed Monica Cramér-Manhem as new CEO.

#### **INFORMATION REGARDING RISKS AND FACTORS OF UNCERTAINTY**

See Note 1, Accounting Principles, and Note 2, Information on Risks.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

See Note 1, Accounting Principles, and Note 2, Information on Risks.

#### **REMUNERATION AND BENEFITS TO SENIOR EXECUTIVES**

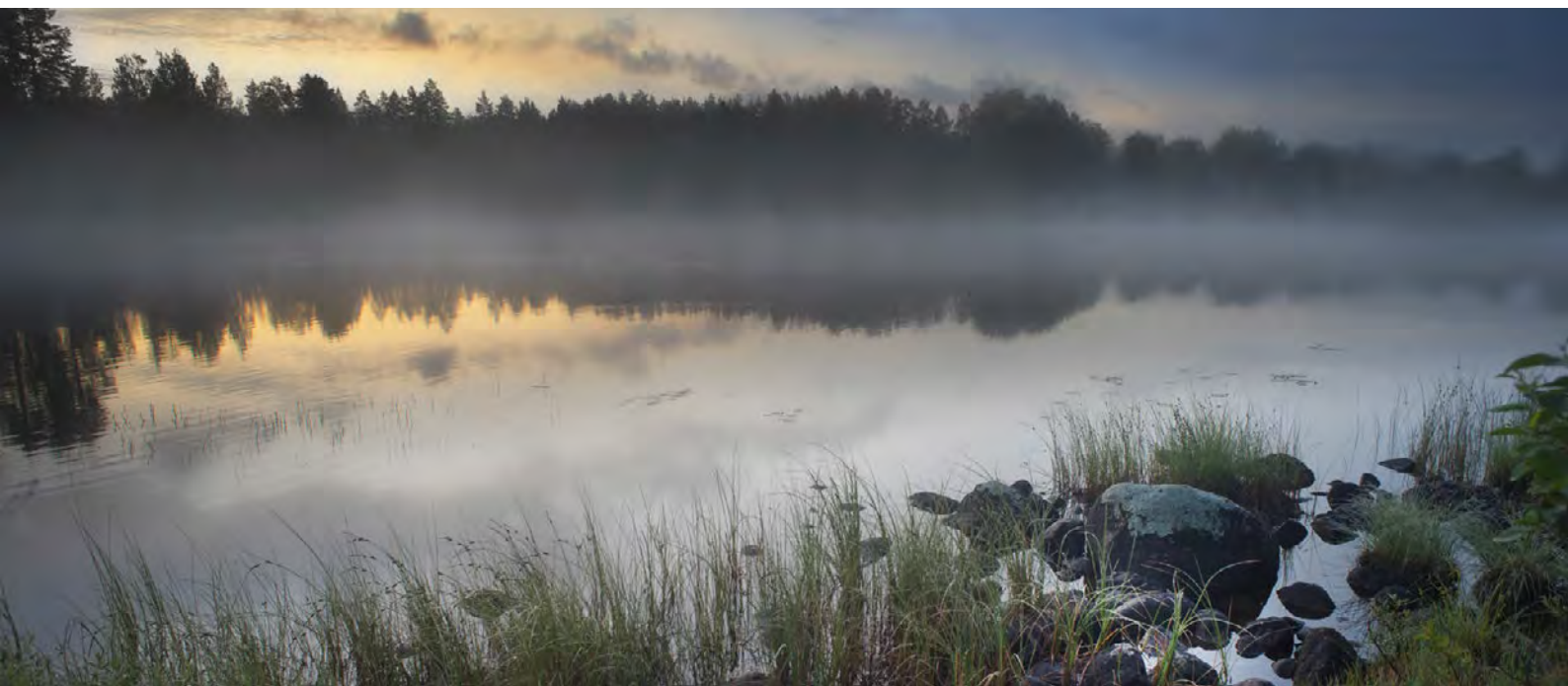
See Note 30, Average number of employees, salaries and other remuneration.

#### **INSURANCE CONTRACTS WITH INSUFFICIENT INSURANCE RISK**

The Company retains only a few contracts in which insufficient insurance risk is assessed to exist, and which, thereby, do not qualify as insurance contract. These contracts are classified as investment contracts. For further details, refer to Note 1, Accounting Principles.

#### **EXPECTED FUTURE DEVELOPMENTS**

The underlying profitability in the insurance operations is good, despite increased competition on the market, and the diversified investment portfolio is expected to provide a stable yield. However, the fierce competition requires stringent pricing and underwriting, continued efficiency improvements and sound balancing of risks between the insurance and investment operations, in order to ensure long-term profitability. Sirius International's targets for 2014 are to achieve a combined ratio under 90% and an Underwriting Return On Capital (UROC) of 11%.





# Five-year summary

<b>GROUP (MSEK)</b>	<b>2013</b>	<b>2012<sup>4)</sup></b>	<b>2011</b>	<b>2010</b>	<b>2009<sup>3)</sup></b>
Net premium income	5,729	6,304	4,363	5,608	6,957
Net premiums earned	5,675	6,293	4,584	5,742	6,867
Allocated investment return	101	547	225	214	369
Net claims incurred	-2,748	-3,692	-3,125	-3,428	-4,164
Operating costs	-1,977	-2,002	-1,461	-1,690	-1,755
Other operating costs	-43	-89	-	-	-
Insurance operating result	1,008	1,057	223	838	1,317
Investment operating result	1,352	784	219	235	289
Net income for the year	1,956	2,83	320	879	1,302
Net technical provisions	12,198	13,347	14,743	7,221	7,883
Market value on investment assets <sup>5)</sup>	23,906	25,601	26,094	18,480	18,449
<b>Insurance operating profit, for own account</b>					
Claims ratio	48%	59%	68%	60%	61%
Cost ratio	35%	32%	31%	29%	25%
Combined ratio	83%	90%	99%	89%	86%
<b>Investment result</b>					
Investment yield	2%	2%	2%	3%	2%
Total yield	4%	5%	2%	1%	3%
<b>Solvency capital</b>					
Shareholders' equity	13,879	13,828	11,560	9,950	9,945
Deferred tax on untaxed reserves	2,302	2,128	2,547	2,548	2,548
Deferred tax on reserve for unrealized capital gains	10	55	43	18	53
Other adjustment items	-	-	-	-	-2
Total solvency capital	16,191	16,011	14,150	12,516	12,544
Solvency ratio	283%	254%	324%	223%	180%
Capital base <sup>1)</sup>	15,006	15,185	13,644	11,735	12,149
Required solvency capital	1,687	1,621	1,755	958	1,030
<b>Group based values<sup>2)</sup></b>					
Capital base	15,689	17,698	13,792	16,315	17,544
Solvency requirement	1,687	1,621	1,872	2,255	2,350

<sup>1)</sup> Include Sirius International with subsidiaries.

<sup>2)</sup> Include WM Caleta (Gibraltar) Ltd. For 2011–2009 the Group-based values include Sirius International Insurance Group Ltd.

<sup>3)</sup> Comparison year 2009 has been converted to comply with IFRS. Solvency capital and required solvency capital have not been converted.

<sup>4)</sup> Comparison year 2012 has been converted per January 1, 2012 in order to apply IAS 19. Solvency capital and required solvency capital have not been converted.

<sup>5)</sup> Includes Investment assets and Cash and bank balances.

<b>PARENT COMPANY (MSEK)</b>	<b>2013</b>	<b>2012<sup>4)</sup></b>	<b>2011</b>	<b>2010</b>	<b>2009<sup>3)</sup></b>
Net premium income	3,423	4,014	3,768	5,608	6,957
Net premiums earned	3,485	4,196	4,037	5,742	6,867
Allocated investment return	55	280	225	214	369
Net claims incurred	-1,623	-2,126	-2,708	-3,421	-4,164
Operating costs	-1,086	-1,220	-1,239	-1,687	-1,761
Other operating costs	-2	-1	-	-	-
Insurance operating result	829	1,104	266	839	1,311
Investment operating result	1,329	129	175	-128	-139
Other expenses	-28	-4	-4	-4	-17
Net income for the year	1,266	932	321	522	490
Net technical provisions	5,557	6,048	6,922	7,233	7,886
Market value on investment assets <sup>5)</sup>	19,241	20,692	19,678	18,155	18,379
<b>Insurance operating profit, for own account</b>					
Claims ratio	47%	51%	67%	60%	61%
Cost ratio	31%	29%	30%	29%	25%
Combined ratio	78%	80%	97%	89%	86%
<b>Investment result</b>					
Investment yield	9%	1%	3%	3%	2%
Total yield	6%	2%	3%	0%	3%
<b>Solvency capital</b>					
Shareholders' equity	4,576	5,117	4,335	2,564	2,654
Untaxed reserves	10,462	9,672	9,682	9,687	9,691
Deferred tax on Reserve for unrealized capital gains	12	54	43	18	53
Total solvency capital	15,050	14,843	14,060	12,269	12,398
Solvency ratio	440%	370%	373%	219%	178%
Capital base	14,237	14,265	13,648	11,603	12,021
Required solvency capital	851	710	765	958	1,030

<sup>4)</sup> Include Investment assets and Cash and bank balances.



**PROPOSED APPROPRIATION OF PROFITS** For 2013, the Parent Company recorded income of MSEK 2,130 (MSEK 1,229) before appropriations and taxes. Net income for the year amounted to MSEK 1,266 (MSEK 932). As of December 31, 2013 retained earnings in the Group amounted to MSEK 4,919.

*The following profits are at the disposal of the general meeting of shareholders in the Parent Company Sirius International:*

<b>(SEK in thousands)</b>	
Retained earnings	4,317,157
Non-Restricted reserves	-150,302
Dividends paid, as resolved by the general meeting of shareholders and extraordinary general meeting of shareholders	-1,656,686
Net income for the year	1,266,183
<b>Total</b>	<b>3,776,352</b>

*The Board of Directors and the President propose that the amount be appropriated as follows:*

Dividend to the owner	643,000
To be carried forward	3,133,352
<b>Total</b>	<b>3,776,352</b>

The Company's financial position does not give rise to any assessment other than that the Company can be expected to fulfill its obligations in both the short-term and in the long-term. It is the opinion of the Board of Directors that the solvency capital of the Company, as it has been reported in the annual report, is adequate in relation to the scope and risks of the operations.

Regarding the Company's and the Group's results and financial position, please refer to the attached income statements and balance sheets, cash flow statements and statements of changes in shareholders' equity, with accompanying notes.

# Income Statement – Group

<b>JANUARY 1 – DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS</b>			
<b>Earned premiums, for own account</b>			
Gross premium income	3	7,445	8,081
Ceded reinsurance premiums	3	-1,716	-1,777
Change in the gross provision for unearned premiums		-29	-47
Change in the provision for unearned premiums, reinsurers' share		-25	36
<b>Total earned premiums, for own account</b>		<b>5,675</b>	<b>6,293</b>
<b>Allocated investment return transferred from the non-technical account</b>			
Claims incurred, for own account	4	101	547
- Claims paid			
- Gross amount		-4,935	-5,261
Reinsurers' share		861	763
Claims paid, for own account		-4,074	-4,498
Change in the provision for claims, for own account			
- Gross amount	4	3,841	2,673
- Reinsurers' share		-2,515	-1,867
<b>Total claims incurred, for own account</b>		<b>-2,748</b>	<b>-3,692</b>
<b>Operating costs</b>	5	<b>-1,977</b>	<b>-2,002</b>
<b>Other operating costs</b>	5	<b>-43</b>	<b>-89</b>
<b>OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT</b>		<b>1,008</b>	<b>1,057</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Balance of technical account</b>		<b>1,008</b>	<b>1,057</b>
Investment income/expenses	9		
Investment income	6	1,126	1,047
Unrealized gains	7	582	652
Investment expenses and charges	8	-255	-368
Investment income allocated to the technical account		-101	-547
<b>Total investment income/expenses</b>		<b>1,352</b>	<b>784</b>
<b>RESULT BEFORE TAXES</b>		<b>2,360</b>	<b>1,841</b>
Taxes	10	-404	987
<b>NET INCOME FOR THE YEAR</b>		<b>1,956</b>	<b>2,828</b>
Net income attributable to:			
Owner of the parent		1,956	2,830
Minority interest		-	-2
<b>TOTAL</b>		<b>1,956</b>	<b>2,828</b>



# Statement of Comprehensive Income – Group

<b>JANUARY 1 – DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Net income for the year</b>		<b>1,956</b>	<b>2,828</b>
Other comprehensive income			
Items not to be reclassified to income statement:			
– Actuarial gains and losses on defined benefit pension plans	26	6	-1
– Tax on items not to be reclassified to income statement	10	-1	0
Items to be reclassified to income statement:			
– Change of fair value on bonds		-80	184
– Currency revaluation effects		-100	-413
– Tax on items to be reclassified to income statement	10	25	-36
Items reclassified to income statement:			
– Change of fair value on bonds		-118	-102
– Tax on items reclassified to income statement	10	25	26
<b>Other comprehensive income for the year, net of tax</b>		<b>-243</b>	<b>-342</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,713</b>	<b>2,487</b>
Comprehensive income attributable to:			
Owner of the parent		1,713	2,489
Minority interest		–	-2
<b>TOTAL</b>		<b>1,713</b>	<b>2,487</b>

# Balance Sheet – Group

<b>DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		291	291
Other intangible assets		165	124
<b>Total intangible assets</b>		<b>456</b>	<b>415</b>
<b>Investment assets</b>			
Land and buildings	12	13	13
Interest bearing investments emitted by, and loans to, group companies		475	966
Other financial investments			
– Shares and participations	14,18	4,097	3,567
– Bonds and other interest bearing investments	15,18	16,460	18,235
– Derivative financial instruments	16,18	273	326
Total other financial investments		20,830	22,128
Deposits with cedents		590	543
<b>Total investment assets</b>		<b>21,908</b>	<b>23,650</b>
<b>Reinsurers' share of technical provisions</b>			
Provisions for unearned premiums	22	502	524
Claims outstanding	23	2,239	4,942
<b>Total reinsurers' share of technical provisions</b>		<b>2,741</b>	<b>5,466</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations		105	105
Debtors arising out of reinsurance operations		1,869	1,993
Current tax receivables		298	330
Deferred tax receivables	10	2,324	2,668
Other debtors	17,18	144	312
<b>Total debtors</b>		<b>4,740</b>	<b>5,408</b>
<b>Other assets</b>			
Tangible assets	19	57	54
Cash and bank balance		1,998	1,951
<b>Total other assets</b>		<b>2,055</b>	<b>2,005</b>
<b>Prepayments and accrued income</b>	18		
Accrued interest		156	191
Deferred acquisition costs	20	446	439
Other prepayments and accrued income		32	19
<b>Total prepayments and accrued income</b>		<b>634</b>	<b>649</b>
<b>TOTAL ASSETS</b>		<b>32,534</b>	<b>37,593</b>

## Balance Sheet – Group, cont.

<b>DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Shareholders' equity attributable to the owner of the parent			
- Share capital (8 million shares of nom. value SEK 100)		800	800
- Additional paid in capital		5,317	5,318
- Reserves		-812	-564
- Retained earnings – restricted		8,160	7,544
- Retained earnings – non-restricted, including net income for the year		414	724
Total shareholders' equity attributable to the owner of the parent		13,879	13,822
Minority interest		–	2
<b>Total shareholders' equity</b>		<b>13,879</b>	<b>13,824</b>
<b>Liabilities</b>			
Technical provisions			
- Provisions for unearned premiums	22	2,209	2,201
- Claims outstanding	23, 25	12,730	16,612
<b>Total technical provisions</b>		<b>14,939</b>	<b>18,813</b>
<b>Other liabilities</b>			
- Employee benefits	26	7	11
- Current tax liabilities		24	14
- Deferred tax liabilities	10	2,340	2,422
- Deposits received from reinsurers		410	158
- Creditors arising out of direct insurance operations		59	48
- Creditors arising out of reinsurance operations		310	582
- Other liabilities	18, 27	188	1,400
- Accrued expenses and deferred income	18	378	321
<b>Total other liabilities</b>		<b>3,716</b>	<b>4,956</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>32,534</b>	<b>37,593</b>
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	28	7,967	8,870
Other pledged assets and comparable collaterals	28	–	–
Contingent liabilities	28	1,930	1,970
Commitments	28	140	161

# Change in Shareholders' Equity – Group

(MSEK)	Share Capital <sup>4)</sup>	Additional paid in capital	Reserves	Retained earnings – restricted <sup>4)</sup>	Retained earnings – non-restricted	TOTAL	Minority interest	TOTAL SHAREHOLDERS' EQUITY
<b>Amount January 1, 2013</b>	<b>800</b>	<b>5,318</b>	<b>-564</b>	<b>7,544</b>	<b>724</b>	<b>13,822</b>	<b>2</b>	<b>13,824</b>
<b>Comprehensive income</b>								
Net profit/loss for the year	-	-	-	-	1,956	1,956	-	1,956
Change in untaxed reserves	-	-	-	616	-616	-	-	-
<b>Other comprehensive income, after tax</b>								
Change of fair value on bonds	-	-	-154	-	-	-154	-	-154
Change defined benefit pension plans	-	-	-	-	5	5	-	5
Currency revaluation effects	-	-	-94	-	-	-94	-	-94
Total other comprehensive income	-	-	-248	-	5	-243	-	-243
Total comprehensive income	-	-	-248	616	345	1,71	-	1,713
<b>Transactions with owners</b>								
Acquisition of minority share	-	-1	-	-	1	0	-2	-2
Dividend paid <sup>2)</sup>	-	-	-	-	-1,656	-1,656	-	-1,656
Total transactions with owners	-	-1	-	-	-1,656	-1,656	2	-1,658
<b>AMOUNT DECEMBER 31, 2013</b>	<b>800</b>	<b>5,317</b>	<b>-812</b>	<b>8,160</b>	<b>414</b>	<b>13,879</b>	<b>-</b>	<b>13,879</b>
<b>Amount January 1, 2012</b>								
Amount January 1, 2012	800	4,359	-266	7,135	-468	11,560	4	11,564
Transition to IAS 19 R	-	-	-	-	-4	-4	-	-4
<b>Adjusted Amount January 1, 2012</b>	<b>800</b>	<b>4,359</b>	<b>-266</b>	<b>7,135</b>	<b>-472</b>	<b>11,556</b>	<b>4</b>	<b>11,560</b>
<b>Comprehensive income</b>								
Net profit/loss for the year	-	-	-	-	2,830	2,830	-2	2,828
<b>Other comprehensive income, after tax</b>								
Change of fair value on bonds	-	-	72	-	-	72	-	72
Change defined benefit pension plans	-	-	-	-	-1	-1	-	-1
Reclassification within shareholders' equity	-	-	43	40	-452	0	-	0
Currency revaluation effects	-	-	-413	-	-	-413	0	-413
Total other comprehensive income	-	-	-298	409	-453	-342	0	-342
Total comprehensive income	-	-	-298	409	2,377	2,488	-2	2,486
<b>Transactions with owners</b>								
Capital contribution received <sup>1)</sup>	-	959	-	-	-	959	-	959
Group contribution provided <sup>3)</sup>	-	-	-	-	-528	-528	-	-528
Dividend paid <sup>2)</sup>	-	-	-	-	-653	-653	-	-653
Total transactions with owners	-	959	-	-	-1,181	-222	-	-222
<b>AMOUNT DECEMBER 31, 2012</b>	<b>800</b>	<b>5,318</b>	<b>-564</b>	<b>7,544</b>	<b>724</b>	<b>13,822</b>	<b>2</b>	<b>13,824</b>

<sup>1)</sup> Capital contributions received from Fund American Holdings AB in form of shares in White Sands Holdings (Luxembourg) S.à r.l. and shares in Symetra Financial Corporation.

<sup>2)</sup> Dividend paid to the parent company Fund American Holdings AB. The dividend is equal to 207 SEK (82 SEK) per share.

<sup>3)</sup> Group contribution provided to Fund American Holdings AB and Sirius Insurance Holding Sweden AB.

<sup>4)</sup> Share capital and Retained earnings – restricted represents the Group's restricted shareholders' equity.



## Change in Shareholders' Equity – Group, cont.

(MSEK)	2013	2012
<b>SHARE CAPITAL</b>		
<b>Specified in number of shares</b>		
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000
Per December 31, 2013 the share capital comprised 8,000,000 (8,000,000) ordinary shares. The shares have a nominal value of 100 (100) SEK.		
	<b>2013</b>	<b>2012</b>
<b>ADDITIONAL PAID IN CAPITAL</b>		
Opening additional paid in capital	5,318	4,359
Reclassification within shareholders' equity	-1	-
Capital contribution	-	959
<b>CLOSING ADDITIONAL PAID IN CAPITAL</b>	<b>5,317</b>	<b>5,318</b>
<b>RESERVES</b>		
<b>Fair value reserve</b>		
Opening fair value reserve	247	165
Change for the year	-198	82
<b>Closing fair value reserve</b>	<b>49</b>	<b>247</b>
<b>Tax on fair value reserves</b>		
Opening tax on fair value reserves	-54	-44
Effect from change in tax rate	-	7
Change for the year	44	-17
<b>Closing tax on fair value reserve</b>	<b>-10</b>	<b>-54</b>
<b>Fair value reserve after tax</b>		
Opening fair value reserve after tax	193	121
Change for the year	-154	72
<b>CLOSING FAIR VALUE RESERVE AFTER TAX</b>	<b>39</b>	<b>193</b>
<b>Translation difference</b>		
Opening translation difference	-757	-387
Reclassification within shareholders' equity	-	43
Change for the year	-94	-413
<b>CLOSING TRANSLATION DIFFERENCE</b>	<b>-851</b>	<b>-757</b>
<b>RETAINED EARNINGS – RESTRICTED</b>		
Opening retained earnings – restricted	7,544	7,135
Effect from change in tax rate	-	416
Change for the year	616	-7
<b>CLOSING RETAINED EARNINGS – RESTRICTED</b>	<b>8,160</b>	<b>7,544</b>
<b>RETAINED EARNINGS – NON-RESTRICTED</b>		
Opening retained earnings – non-restricted	724	-468
Effects from transition to IAS 19 R	-	-4
Net profit/loss for the year	1 956	2 830
Change in safety reserve and other restricted reserves	-616	-
Change defined benefit pension plans	5	-1
Reclassification within shareholders' equity	1	-36
Effect from change in tax rate	-	-
Dividend paid	-1 656	-653
Group contribution provided (73.7%)	-	-528
<b>CLOSING RETAINED EARNINGS – NON-RESTRICTED</b>	<b>414</b>	<b>724</b>

# Cash flow Statement – Group

(MSEK)	Note	2013	2012
<b>Operating Activities</b>			
Profit/loss before tax		2,360	1,842
Interest income		408	514
Interest expenses		-2	-3
Dividends received		88	81
Adjustment for non-cash items <sup>1)</sup>		-262	-30
Income tax paid		-47	-39
Cash flow from current operations before changes in assets and liabilities		2,545	2,365
Change in financial investments		1,318	609
Change in other operating receivables		2,967	2,772
Change in other operating liabilities		-6,291	-5,130
<b>Cash flow from operating activities</b>		<b>539</b>	<b>616</b>
<b>Investing activities</b>			
Acquisition of subsidiary, acquired Cash and cash equivalents		-	1
Net investment of intangible assets		-75	-102
Net investments of tangible assets		-27	-33
<b>Cash flow from investing activities</b>		<b>-102</b>	<b>-134</b>
<b>Financing activities</b>			
Dividends paid		-161	-163
Group contributions paid		-160	-557
<b>Cash flow from financing activities</b>		<b>-321</b>	<b>-720</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>116</b>	<b>-238</b>
Cash and cash equivalents at beginning of year		1,951	2,289
Cash flow for the year		116	-238
Translation difference on Cash and cash equivalents		-68	-100
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR<sup>2)</sup></b>		<b>1,999</b>	<b>1,951</b>
<sup>1)</sup> Specification of non-cash items:			
Depreciations	11, 12, 19	58	50
Capital losses on foreign exchange	8	214	260
Capital gains	6	-630	-453
Capital losses	8	-	73
Unrealized gains	7	-763	-652
Unrealized losses	7	181	-
Interest income	6	-408	-514
Interest expenses	8	2	2
Dividends received	6	-88	-81
Change in provisions for outstanding claims	23	1,171	1,290
Pension provisions		1	3
Effects from internal restructuring		-	-8
<b>Total</b>		<b>-262</b>	<b>-30</b>
<sup>2)</sup> The following components are included in cash and cash equivalents:			
Cash and bank balances		1,184	483
Short term investments, equivalent to cash and cash equivalents		815	1,468
<b>Total</b>		<b>1,999</b>	<b>1,951</b>

# Performance Analysis – Group

(MSEK)	Direct Swedish risks – aviation	Direct Swedish risks – Financial	Direct foreign risks	Assumed reinsurance	TOTAL
<b>ANALYSIS OF INSURANCE RESULT</b>					
<b>Technical result insurance operations</b>					
Premiums earned, for own account	3	1	772	4,899	5,675
Allocated investment return transferred from the non-technical account	–	–	6	95	101
Claims incurred, for own account	–3	0	–423	–2,322	–2,748
Operating costs	0	0	–350	–1,670	–2,020
<b>TECHNICAL RESULT OF INSURANCE OPERATION</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>1,002</b>	<b>1,008</b>
<i>Of which results from prior years, gross amounts <sup>1)</sup></i>	–3	0	–447	1,530	1,080
<b>Technical provisions</b>					
Unearned premiums and remaining risks	–1	–1	–557	–1,650	–2,209
Outstanding claims	–1	0	–441	–12,047	–12,489
Claims adjustment provision	0	–	–14	–227	–241
<b>TECHNICAL PROVISIONS</b>	<b>–2</b>	<b>–1</b>	<b>–1,012</b>	<b>–13,924</b>	<b>–14,939</b>
<b>Reinsurers' share of technical provisions</b>					
Unearned premiums and remaining risks	0	0	264	238	502
Outstanding claims	1	–	108	2,130	2,239
<b>REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>	<b>1</b>	<b>0</b>	<b>372</b>	<b>2,368</b>	<b>2,741</b>
<b>Premiums earned, for own account</b>					
Gross premium income	4	1	1,280	6,160	7,445
Ceded reinsurance premium	–1	0	–498	–1,217	–1,716
Change in gross provision for unearned premiums	0	0	–46	17	–29
Reinsurers' share of change in unearned premiums	0	0	36	–61	–25
<b>PREMIUMS EARNED, FOR OWN ACCOUNT</b>	<b>3</b>	<b>1</b>	<b>772</b>	<b>4,899</b>	<b>5,675</b>
<b>Claims incurred, for own account</b>					
Claims paid	–3	0	–638	–4,111	–4,752
Reinsurers' share	1	–	219	641	861
Claims handling expenses	–	–	–14	–169	–183
Change in provision for outstanding claims	0	0	–56	3,897	3,841
Reinsurers' share	–1	–	66	–2,580	–2,515
<b>CLAIMS INCURRED, FOR OWN ACCOUNT</b>	<b>–3</b>	<b>0</b>	<b>–423</b>	<b>–2,322</b>	<b>–2,748</b>

<sup>1)</sup> Defined as result from 2012 and earlier.

# Income Statement – Parent Company

<b>JANUARY 1 – DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS</b>			
<b>Earned premiums, for own account</b>			
Gross premium income	3	5,173	5,779
Ceded reinsurance premiums	3	-1,750	-1,765
Change in the gross provision for unearned premiums		82	152
Change in provision for unearned premiums, reinsurers' share		-20	30
<b>Total earned premium, for own account</b>		<b>3,485</b>	<b>4,196</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>55</b>	<b>280</b>
<b>Claims incurred, for own account</b>	4		
Claims paid			
– Gross amount		-2,716	-3,258
– Reinsurers' share		728	684
Claims paid, for own account		-1,988	-2,574
Change in the provision for claims, for own account			
– Gross amount	4	2,672	2,167
– Reinsurers' share		-2,307	-1,719
<b>Total claims incurred, for own account</b>		<b>-1,623</b>	<b>-2,126</b>
<b>Operating costs</b>	5	<b>-1,086</b>	<b>-1,220</b>
<b>Other operating costs</b>	5	<b>-2</b>	<b>-1</b>
<b>Change in equalization provision</b>	24	<b>-</b>	<b>-25</b>
<b>OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT</b>		<b>829</b>	<b>1,104</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Balance of technical account</b>		<b>829</b>	<b>1,104</b>
<b>Investment income/expenses</b>	9		
Investment income	6	2,232	467
Unrealized gains	7	65	363
Investment expenses and charges	8	-913	-421
Investment income allocated to the technical account		-55	-280
<b>Total investment income/expenses</b>		<b>1,329</b>	<b>129</b>
Goodwill depreciation	11	-28	-4
<b>Result before appropriations and taxes</b>		<b>2,130</b>	<b>1,229</b>
<b>Appropriations</b>	21		
Change in accelerated depreciations		10	9
Provision to safety reserve		-800	-
<b>Result before taxes</b>		<b>1,340</b>	<b>1,238</b>
Taxes	10	-74	-306
<b>NET INCOME FOR THE YEAR</b>		<b>1,266</b>	<b>932</b>



# Statement of Comprehensive Income

## – Parent Company

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2013	2012
<b>Net income for the year</b>		<b>1,266</b>	932
<b>Other comprehensive income</b>			
Items to be reclassified to income statement:			
– Change of fair value on bonds		–79	184
– Tax on items to be reclassified to income statement	10	17	–36
Items to be reclassified to income statement:			
– Change of fair value on bonds		–114	–102
– Tax on items reclassified to income statement	10	25	26
<b>Other comprehensive income for the year, net of tax</b>		<b>–151</b>	72
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,115</b>	1,004



# Balance Sheet – Parent Company

<b>DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		170	198
Other intangible assets		63	55
<b>Total intangible assets</b>		<b>233</b>	<b>253</b>
<b>Investment assets</b>			
Land and buildings	12	13	13
Shares and participations in group companies	13	10,330	8,254
Other financial investments			
Shares and participations	14, 18	399	549
Bonds and other interest-bearing securities	15, 18	6,564	10,041
Derivative financial instruments	16, 18	273	326
<b>Total other financial investments</b>		<b>7,236</b>	<b>10,916</b>
Deposits with cedents		557	554
<b>Total investment assets</b>		<b>18,136</b>	<b>19,737</b>
<b>Reinsurers' share of technical provisions</b>			
Provisions for unearned premiums	22	501	517
Claims outstanding	23	1,403	3,985
<b>Total reinsurers' share of technical provisions</b>		<b>1,904</b>	<b>4,502</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations		16	28
Debtors arising out of reinsurance operations		1,414	1,582
Current tax receivables		177	276
Deferred tax receivables	10	34	20
Other debtors	17, 18	250	202
<b>Total debtors</b>		<b>1,891</b>	<b>2,108</b>
<b>Other assets</b>			
Tangible assets	19	40	50
Cash and bank balance		1,105	955
<b>Total other assets</b>		<b>1,145</b>	<b>1,005</b>
<b>Prepayments and accrued income</b>	18		
Accrued interest		87	124
Deferred acquisition costs	20	244	266
Other prepayments and accrued income		32	19
<b>Total prepayments and accrued income</b>		<b>363</b>	<b>409</b>
<b>TOTAL ASSETS</b>		<b>23,672</b>	<b>28,015</b>

## Balance Sheet – Parent Company, cont.

<b>DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		42	193
Retained earnings		2,468	3,192
Net income for the year		1,266	932
<b>Total shareholders' equity</b>		<b>4,576</b>	<b>5,117</b>
<b>Untaxed reserves</b>			
Accumulated accelerated depreciations	21	15	25
Safety reserve		10,447	9,647
<b>Total untaxed reserves</b>		<b>10,462</b>	<b>9,672</b>
<b>Technical provisions</b>			
Provisions for unearned premiums	22	1,488	1,580
Claims outstanding	23, 25	5,887	8,885
Equalization provision	24	86	86
<b>Total technical provisions</b>		<b>7,461</b>	<b>10,550</b>
<b>Provisions for other risks and expenses</b>			
Pension provisions	26	11	9
Deferred tax liabilities	10	47	98
<b>Total provisions for other risks and expenses</b>		<b>58</b>	<b>107</b>
<b>Deposits received from reinsurers</b>		<b>401</b>	<b>328</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		2	1
Creditors arising out of reinsurance operations		350	730
Other creditors	18, 27	133	1,325
<b>Total creditors</b>		<b>485</b>	<b>2,056</b>
<b>Accrued expenses and deferred income</b>	18	<b>229</b>	<b>185</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>23,672</b>	<b>28,015</b>
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	28	6,691	7,701
Other pledged assets and comparable collaterals	28	–	–
Contingent liabilities	28	1,930	1,970
Commitments	28	49	53

## Change in Shareholders' Equity – Parent Company

(MSEK)	Share Capital	Other Reserves <sup>4)</sup>	Retained earnings <sup>4)</sup>	Net profit/loss for the year <sup>4)</sup>	TOTAL SHAREHOLDERS' EQUITY
<b>Amount January 1, 2013</b>	<b>800</b>	<b>193</b>	<b>3,192</b>	<b>932</b>	<b>5,117</b>
Transfer of net result from previous year	-	-	932	-932	-
<i>Comprehensive income</i>					
Net profit/loss for the year	-	-	-	1,266	1,266
<i>Other comprehensive income, net after tax</i>					
Change of fair value on bonds	-	-151	-	-	-151
Total other comprehensive income	-	-151	-	-	-151
Total comprehensive income	-	-151	-	1,266	1,115
<i>Transactions with owners</i>					
Dividend paid <sup>3)</sup>	-	-	-1,656	-	-1,656
Total transactions with owners	-	-	-1,656	-	-1,656
<b>AMOUNT DECEMBER 31, 2013</b>	<b>800</b>	<b>42</b>	<b>2,468</b>	<b>1,266</b>	<b>4,576</b>
<b>Amount January 1, 2012</b>	<b>800</b>	<b>121</b>	<b>3,093</b>	<b>321</b>	<b>4,335</b>
Transfer of net result from previous year	-	-	321	-321	-
<i>Comprehensive income</i>					
Net profit/loss for the year	-	-	-	932	932
<i>Other comprehensive income, net after tax</i>					
Change of fair value on bonds	-	72	-	-	72
Total other comprehensive income	-	72	-	-	72
Total comprehensive income	-	72	-	932	1,004
<i>Transactions with owners</i>					
Capital contribution <sup>1)</sup>	-	-	959	-	959
Group contribution provided <sup>2)</sup>	-	-	-528	-	-528
Dividend paid <sup>3)</sup>	-	-	-653	-	-653
Total transactions with owners	-	-	-222	-	-222
<b>AMOUNT DECEMBER 31, 2012</b>	<b>800</b>	<b>193</b>	<b>3,192</b>	<b>932</b>	<b>5,117</b>

<sup>1)</sup> Capital contribution received from Fund American Holdings AB in form of shares in White Sands Holdings (Luxembourg) S.à r.l. and shares in Symetra Financial Corporation.

<sup>2)</sup> Group contribution provided to Fund American Holdings AB and Sirius Insurance Holding Sweden AB.

<sup>3)</sup> Dividend paid to the parent company Fund American Holdings AB. Dividend is equal to SEK 207 (SEK 82) per share.

<sup>4)</sup> The columns Other reserves, Retained earnings and Net profit/loss for the year together represents the non-restricted shareholders' equity for the parent company.



# Change in Shareholders' Equity

## – Parent Company, cont.

(MSEK)	2013	2012
<b>SHARE CAPITAL</b>		
<b>Specified in number of shares</b>		
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000
Per December 31, 2013 the share capital comprised 8,000,000 (8,000,000) ordinary shares. The shares have a nominal value of 100 (100) SEK.		
<b>OTHER RESERVES</b>		
<b>Fair value reserve</b>		
Opening fair value reserve	247	165
Change for the year	-193	82
<b>Closing fair value reserve</b>	54	247
<b>Tax on fair value reserves</b>		
Opening tax on fair value reserves	-54	-44
Effect from change in tax rate	-	7
Change for the year	42	-17
<b>Closing tax on fair value reserve</b>	-12	-54
<b>Fair value reserve after tax</b>		
Opening fair value reserve after tax	193	121
Change for the year	-151	72
<b>CLOSING FAIR VALUE RESERVE AFTER TAX</b>	<b>42</b>	193
<b>RETAINED EARNINGS</b>		
Opening retained earnings	3,192	3,093
Transfer of net result from previous year	932	321
Capital contribution	-	959
Dividend paid	-1,656	-653
Group contribution provided (73.7%)	-	-528
<b>CLOSING RETAINED EARNINGS</b>	<b>2,468</b>	3,192
<b>NET PROFIT/LOSS FOR THE YEAR</b>		
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>1,266</b>	932

# Cash flow Statement – Parent Company

(MSEK)	Note	2013	2012
<b>Operating Activities</b>			
Profit/loss before tax		2,130	1,228
Interest income		171	265
Interest expenses		-2	-2
Dividends received		1,667	-
Adjustment for non-cash items <sup>1)</sup>		-878	300
Income tax paid		3	-167
Cash flow from current operations before changes in assets and liabilities		3,091	1,624
Change in financial investments		-137	-254
Change in other operating receivables		2,871	3,023
Change in other operating liabilities		-5,242	-4,009
<b>Cash flow from operating activities</b>		<b>583</b>	<b>384</b>
<b>Investing activities</b>			
Net investment of intangible assets		-41	-37
Net investments of tangible assets		-11	-33
<b>Cash flow from investing activities</b>		<b>-52</b>	<b>-70</b>
<b>Financing activities</b>			
Capital repayment		-11	-
Dividend paid		-161	-163
Group contributions paid		-160	-557
<b>Cash flow from financing activities</b>		<b>-332</b>	<b>-720</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>199</b>	<b>-406</b>
Cash and cash equivalents at beginning of year		955	1,411
Cash flow for the year		199	-406
Translation difference on Cash and cash equivalents		-49	-50
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR<sup>2)</sup></b>		<b>1,105</b>	<b>955</b>
<sup>1)</sup> Specification of non-cash items:			
Depreciations	11,12,19	83	73
Capital losses on foreign exchange	8	214	262
Capital gains	6	-392	-203
Capital losses	8	701	160
Unrealized gains	7	-170	-363
Unrealized losses	7	105	-
Interest income	6	-170	-265
Interest paid	8	2	3
Dividends received	6	-1,667	-
Change in provisions for outstanding claims	23	416	631
Pension provisions		1	2
<b>Total</b>		<b>-878</b>	<b>300</b>
<sup>2)</sup> The following components are included in Cash and cash equivalents:			
Cash and bank balances		315	238
Short term investments, equivalent to cash and cash equivalents		790	716
<b>Total</b>		<b>1,105</b>	<b>955</b>

# Performance Analysis – Parent Company

(MSEK)	Direct Swedish risks – aviation	Direct foreign risks	Assumed reinsurance	TOTAL
<b>ANALYSIS OF INSURANCE RESULT</b>				
<b>Technical result insurance operations</b>				
Premiums earned, for own account	3	486	2,996	3,485
Allocated investment return transferred from the non-technical account	-	4	51	55
Claims incurred, for own account	-2	-223	-1,398	-1,623
Operating costs	-	-241	-847	-1,088
Change of equalization provision	-	-	-	-
<b>TECHNICAL RESULT OF INSURANCE OPERATION</b>	<b>1</b>	<b>26</b>	<b>802</b>	<b>829</b>
<i>Of which results from prior years, gross amounts <sup>9)</sup></i>	-3	-346	1,397	1,048
<b>Technical provisions</b>				
Unearned premiums and remaining risks	-1	-367	-1,120	-1,488
Outstanding claims	-1	-294	-5,460	-5,755
Claims adjustment provision	0	-10	-122	-132
Equalization provision	-	-	-86	-86
<b>TECHNICAL PROVISIONS</b>	<b>-2</b>	<b>-671</b>	<b>-6,788</b>	<b>-7,461</b>
<b>Reinsurers' share of technical provisions</b>				
Unearned premiums and remaining risks	0	181	320	501
Outstanding claims	1	67	1,335	1,403
<b>REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>	<b>1</b>	<b>248</b>	<b>1,655</b>	<b>1,904</b>
<b>Premiums earned, for own account</b>				
Gross premium income	4	795	4,374	5,173
Ceded reinsurance premium	-1	-335	-1,414	-1,750
Change in gross provision for unearned premiums	0	22	60	82
Reinsurers' share of change in unearned premiums	0	4	-24	-20
<b>PREMIUMS EARNED, FOR OWN ACCOUNT</b>	<b>3</b>	<b>486</b>	<b>2,996</b>	<b>3,485</b>
<b>Claims incurred, for own account</b>				
Claims paid	-3	-442	-2,130	-2,575
Reinsurers' share	1	170	557	728
Claims handling expenses	-	-9	-132	-141
Change in provision for outstanding claims	0	27	2,645	2,672
Reinsurers' share	0	31	-2,338	-2,307
<b>CLAIMS INCURRED, FOR OWN ACCOUNT</b>	<b>-2</b>	<b>-223</b>	<b>-1,398</b>	<b>-1,623</b>

<sup>9)</sup> Defined as result from 2012 and earlier.

## Note 1 – Accounting principles

### GENERAL INFORMATION

This annual report was issued per December 31, 2013 and refers to Sirius International Försäkringsaktiebolag (publ), both the Group and the Parent Company, which is an insurance company with its registered offices in Stockholm. The address of the head office is Birger Jarlsgatan 57B, Stockholm and the Corporate Identity Number is 516401-8136. The Group's ultimate owner is White Mountains Insurance Group Ltd., Hamilton, Bermuda. The Group writes property and casualty insurance and reinsurance, see Note 33 Class analysis for further information.

### COMPLIANCE WITH STANDARDS AND LAW

The Company's annual report has been prepared in accordance with the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL), as well as the Swedish Financial Supervisory Authority's regulations and general guidelines on Annual Reports in Insurance Companies (FFFS 2008:26) with the amendments in FFFS 2009:12, FFFS 2011:28 and FFFS 2013:6 as well as the Swedish Financial Reporting Board RFR 2.

The Sirius International Group's annual report has been prepared in accordance with the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL), as well as the Swedish Financial Supervisory Authority's regulations and general guidelines on Annual Reports in Insurance Companies (FFFS 2008:26) with the amendments in FFFS 2009:12, FFFS 2011:28 and FFFS 2013:6, the Swedish Financial Reporting Board RFR 1 Supplementary Accounting Rules for Groups, as well as International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU.

### ASSUMPTIONS IN THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS

The Company's functional currency is the Swedish krona (SEK) and the financial reports are presented in Swedish kronor. Unless otherwise stated, all amounts are rounded to the nearest million. Assets and liabilities are recorded at acquisition cost, with the exception of certain financial assets and liabilities which are valued at fair value. Financial assets and liabilities valued at fair value consist of derivative instruments, financial assets classified as financial assets valued at fair value via the income statement or as available-for-sale financial assets.

### CHANGES TO STANDARDS, STATEMENTS AND INTERPRETATIONS

The Annual Report per December 31, 2013 has been prepared in accordance with standards, statements and interpretations that have come into force during the year. Furthermore, a number of standards, statements and interpretations have been published but have not yet come into force. Below follows a summary and a preliminary assessment of the effect these standards, statements and interpretations have and may have on the Company's financial reports. Changes other than those given below are not deemed relevant, alternatively are not expected to affect the Group's financial reports.

#### New and amended standards applied by the Group

Amendment to IFRS 7 "Financial instruments: Disclosures" regarding disclosures related to the offsetting of assets and liabilities. The amendment includes requirements for new disclosures to facilitate comparison between those companies preparing their financial statements according to IFRS and those preparing their financial statements according to US GAAP. The amendment also contributes to increased clarity as to how the companies handle credit exposure.

IFRS 13 "Fair value measurement" aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The standard provides guidance regarding valuations at fair value for all types of assets and liabilities, both financial and non-financial. The requirements do not extend the area of application for when the fair value should be applied but provides guidance regarding the manner in which it should be applied in areas where other IFRS already require or allow valuation at fair value.

IAS 19 "Employee Benefits", was amended in June 2011. Expenses for past employment will be reported immediately. Interest expenses and expected return on managed assets will be replaced by a net interest calculated using the discount rate, based on the net surplus or net deficit in the defined benefit plan. The effect of the amendment on the financial statements is presented in Note 26.

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year beginning 1 January 2013 have had any significant impact on the consolidated income statement or consolidated balance sheet nor, if applicable, the Parent Company's income statement or balance sheet.

#### New standards, amendments and interpretations of existing standards which have not yet entered into force and which have not been early adopted by the Group

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2013 and have not been applied in the preparation of these financial statements. None of these are expected to have any significant impact on the Group's financial statements, with the exception of the following:

IFRS 9 "Financial Instruments" addresses the classification, valuation and accounting of financial liabilities and assets. IFRS 9 was published in November 2010 regarding financial assets and in October 2011 regarding financial liabilities and replaces the parts of IAS 39 which are related to the classification and measurement of financial instruments. IFRS 9 stipulates that financial assets are to be classified in two different categories; valued at fair value or valued at amortised cost. The classification is established the first time that the liability or asset is reported in accordance with the standard, on the basis of the company's business model and the characteristic features in the cash flows according to the agreement. In terms of financial liabilities, there are no major changes compared with IAS 39. The largest change addresses changes in liabilities which are valued at fair value. To such liabilities, the following is applied: the portion of the change in fair value which is attributable to the company's own credit risk is to be reported in Other comprehensive income instead of Net profit/loss, so long as this does not result in an accounting mismatch. The Group has not yet assessed the effects of the standard, but will evaluate the effects of the remaining phases of IFRS 9 when they have been completed by the IASB.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group intends to apply IFRS 10 for the financial year beginning on 1 January 2014 and has not yet assessed the full effects on the financial statements.

IFRS 11 "Joint Arrangements", focuses on the rights and obligations incumbent on entities that jointly control an arrangement, rather than on the legal form of the arrangement. There are two types of joint arrangements, joint operations and joint ventures. A joint operation is an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for according to the party's relative share of jointly controlled assets, liabilities, revenue and expenses. A joint venture is an arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method, as the option to account for joint ventures using proportionate consolidation has been removed.

IFRS 12 "Disclosures of Interests in Other entities" includes disclosure requirements for subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated. The Group intends to apply IFRS 12 for the financial year beginning on 1 January 2013 and is yet to assess the full effect on the financial statements.

IFRIC 21 "Levies" provides guidance on the reporting of an obligation to pay a tax or fee which is not income tax. The interpretation sets out the criteria for the identification of an obligating event triggering an obligation to pay the tax or fee and when a liability should, therefore, be recognised. The Group intends to apply IFRIC 21 for the financial year beginning on 1 January 2014 and is yet to assess the full effect on the financial statements.

No other of the IFRS or IFRIC interpretations which have not yet entered into force are expected to have any significant impact on the Group or, if applicable, the Parent Company.

#### ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires the Company's management to make assessments and estimates, as well as assumptions impacting the application of the accounting principles and the recorded values of assets, provisions, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a number of other factors considered reasonable in the current situation. The results of these estimates and assumptions are, subsequently,

**Note 1 – Cont.**

used to assess the recorded values of assets, provisions and liabilities which are not otherwise clearly apparent from other sources. Actual outcome can deviate from these estimates and assessments.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recorded in the period in which the change is made if the change only affects that period, or the period in which the change is made as well as future periods, if such change affects both current and future periods.

Significant assessments in the application of the Accounting principles have been made in conjunction with the decision to report financial instruments at fair value, as well as in conjunction with the decision to classify insurance contracts as insurance or investment contracts.

**Insurance contracts and financial instruments**

According to IFRS 4, contracts transferring significant insurance risk should be classified as insurance. The Company has made the assessment that insurance risk in excess of five percent should be deemed significant and the contract is thus classified as insurance.

All agreements that are insurance contracts have been subject to assessment regarding whether they signify a transfer of significant insurance risk, so that they can also be presented as insurance contracts in the accounts. In the case of certain agreements which are a combination of risk and savings, the Company has been obligated to undertake an assessment of the contracts which can be considered to signify a transfer of significant insurance risk. The amount of the insurance risk has been assessed through a consideration of whether there exists one or more scenarios with commercial implications in which the insurance company would be liable to pay significant further benefits in excess of the amount which would have been paid had the insured event never occurred.

Certain contracts include an option for the contract holder to insure themselves in the future. The Company does not consider such options, in themselves, to constitute a material insurance risk.

**Important sources of uncertainty in estimates**

The Company makes assessments and estimates forming the basis for the valuation of certain assets, provisions and liabilities. These assessments and valuations are made on an ongoing basis and are based on previous experience and future expected outcomes.

*Technical provisions*

The Company's accounting principles for insurance contracts are described below. The Company's most critical accounting estimate concerns insurance technical provisions. This estimate is based on historical experience and other relevant factors considered as reasonable. Even if the applied methods and employed parameters are assessed as correct, future outcomes may deviate from the expected value.

The process applied for the determination of central assumptions, forming the basis for the valuation of the provisions, is described in Note 2.

*Determination of fair value of financial instruments*

The valuation methods described below have been applied in the valuation of financial assets and liabilities for which there is no observable market price. There may be some uncertainty as regards the observed market price for financial instruments with limited liquidity. Such instruments may, therefore, require further assessments, depending on the uncertainty of the market situation. For a sensitivity analysis of interest- and equity risk, see note 2 Information on risks.

Company management has discussed the development, selection and disclosure of significant accounting principles and estimates of the Group and of the Parent Company, as well as discussing the application of these principles and estimates. The specified accounting principles have been consistently applied to all periods presented in the financial statements, unless stated otherwise below.

**APPROVAL**

The annual accounts were approved for publication by the Board of Directors on February 28, 2014. The income statement and balance sheet will be adopted at the General Meeting held in May 2014.

**CONSOLIDATION PRINCIPLES****Subsidiaries**

Subsidiaries are companies in which the Parent Company has a controlling influence. The term "controlling influence" refers to the direct or indirect right to formulate a company's financial and operative strategies with the intention of receiving financial benefit. Acquisitions of subsidiaries are reported according to the purchase method, as described in IFRS 3, with the exception of intra-group acquisitions of subsidiaries under common control. The application of the purchase method implies requirements for the identification of the purchaser and the establishment of the acquisition date. The purchase method further implies that the acquisition of subsidiaries is considered to be a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its provisions, liabilities and contingent liabilities. The Group acquisition value is determined through an acquisition analysis of the identifiable acquired assets and the assumed provisions and liabilities, as well as any contingent liabilities concurrent with the acquisition. In the case of business acquisitions in which the acquisition cost exceeds the net value of the acquired assets and assumed provisions and liabilities and contingent liabilities, the difference is recorded as goodwill. When the difference is negative, this is recorded directly in the income statement. The subsidiary's financial reports are included in the consolidated financial statements as of the acquisition date, until such date as the controlling influence is transferred from the Parent Company.

As IFRS 3 is not directly applicable on intra-group business combination under common control, such acquisitions are reported according to the "predecessor accounting method" or at fair value. The "Predecessor accounting method" implies that the acquirer assumes the acquired company's reported book values as presented in the divested entity's accounts. Adjustment of the acquired values is to be carried out in the case that these accounts are not prepared in accordance with IFRS. Furthermore, the method implies that goodwill is not reported; any possible difference between the consideration paid and the acquired values is reported directly against shareholders equity. Intra-group business combinations are valued and accounted for according to IFRS 3. Subsidiaries' financial statements are included in the consolidated accounts from the date of acquisition until the date upon which the controlling influence ceases.

**Associated companies**

Associated companies are those companies in which the Group has a significant, but not controlling, influence over the operational and financial administration, usually through the holding of participations between 20% and 50% of the number of votes. From the point in time when the significant influence is acquired, participations in associated companies are recorded in the consolidated accounts according to the equity method. The equity method implies that the value of the shares in the associated company, reported in the Group, corresponds to the Group's share of the associated companies' equity and Group goodwill and any other remaining amount of positive or negative group adjustment in consolidation. The Group's participations in the associate's net profit after taxes and minority interests, adjusted for any amortization, impairment or dissolution of acquired surplus or deficit value, are reported in the consolidated income statement under the item "Share of associated companies' income". Dividends received from associated companies decrease the book value of the investment.

When the Group's share of reported losses in an associated company exceeds the book value of the Group's participations in the company, the value of the participations is reduced to zero. The equity method is applied up to the point in time when the significant influence ceases.

**Transactions eliminated on consolidation**

Receivables and liabilities, income and expenses, and unrealized gains and losses arising on internal transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to the extent corresponding to the Group's participating interest in the company. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent there is no write-down requirement.

**FOREIGN CURRENCY****Transactions in foreign currency**

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on transaction date. The Parent Company's, in-

**Note 1 – Cont.**

cluding the branch offices, and the Group's, functional currency is the Swedish krona and the closing rate on the balance sheet date has been used in the valuation of assets, provisions and liabilities in foreign currency. Exchange rate fluctuations are recorded net in the income statement on the lines, Investment, income or Investment, expenses.

**Financial statements of foreign operations**

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated from the functional currency of the foreign operation to the Group's reporting currency, Swedish kronor, at the exchange rate prevailing on the balance sheet date. Income and expenses in foreign operations are translated into Swedish kronor at an average rate that approximates the exchange rates prevailing at the date of the respective transactions. Translation differences arising in the translation of foreign net investments and the associated effects of the hedging of net investments are recorded in other comprehensive income. Upon disposal of a foreign operation, accumulated translation differences attributable to the operation, less any currency hedging, are realized in the Group's income statement.

**Rates for the most important currencies**

	Closing rates	Average rates
USD	6.43	6.52
EUR	8.86	8.66
GBP	10.65	10.20

**INSURANCE CONTRACTS**

Insurance contracts are recorded and valued in the income statement and balance sheet in accordance with their financial substance as opposed to their legal form, in the event that these differ. Contracts transferring material insurance risks from the policyholder to the Company and whereby the Company agrees to compensate the policyholder or other beneficiary in the event that a pre-determined insured event occurs are recorded as insurance contracts. Financial instruments are contracts which do not transfer any material insurance risk from the policyholder to the Company. The Company has issued a policy entailing a mandatory test of whether sufficient insurance risk exists in written contracts for classification as insurance contracts. This test builds upon definitions in accordance with IFRS 4. For contracts or groups of contracts classified as insurance contracts, recording and valuation are carried out in accordance with previously applied principles. For contracts or groups of contracts which are not classified as insurance contracts, recording and valuation are conducted according to IAS 39, Financial Instruments or according to IAS 18, Revenue.

**Accounting of insurance contracts***Revenue recognition/Premium income*

Gross premiums written relate to insurance contracts inception during the financial year, together with any differences between booked premiums for prior financial years and those premiums previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations. The gross premium income also includes the net of entered and withdrawn premium portfolios. Gross premiums written are stated before deduction of brokerage, taxes, duties levied on premiums and other deductions. Premiums are earned on a pro rata temporis basis over the term of the related contract, except for those contracts where the period of risk differs significantly from the contract period, or where the exposure vary during the contract period. In these circumstances, premiums are recognized as earned over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums receivable are recognized and fully earned latest when fallen due. Premium revenue corresponds to the portion of premium income that has been earned.

*Acquisition costs*

By acquisition costs are meant such external operating expenses, such as commissions, that directly vary with the acquisition or renewal of insurance contracts. The deferred acquisition costs are amortized in the same way as corresponding premiums are earned.

*Technical provisions*

Technical provisions consist of the Provisions for unearned premiums and unexpired risks, Provisions for outstanding claims, claims handling provision and equalization provision (in the Parent Company).

*Provision for unearned premiums and unexpired risks*

In the balance sheet, this provision consists of amounts corresponding to the Company's liability for claims, administrative expenses and other costs during the remainder of the contract period for policies in force. "Policies in force" refers to insurance policies in accordance with entered agreements irrespective if they wholly or in part relates to later insurance period. In calculating these provisions, an estimate is made of anticipated costs for any claims that may occur during the remaining terms of these insurance policies, as well as administrative expenses for this period. The estimation of costs is based on the Company's own experience and considers both the observed and the forecasted development of relevant costs.

These future costs are tested quarterly against the unexposed portion of the premium for the contracts in force and if the latter exceeds the costs, the unexposed portion of the written premium will form an unearned premium reserve. If the future costs exceed the unexposed portion of the written premium, the deferred acquisition costs are written down, but if that is insufficient, an unexpired risk provision will also be set up. The unexposed premium is also in this case recorded as a provision for unearned premium. The income statement recognizes the change in provision for unearned premium reserve and unexpired risks.

*Provision for outstanding claims*

This balance sheet item comprises of estimated nominal cash flows relating to final costs for settlement of all claims resulting from events occurring before the close of the financial year, with deduction of those amounts that have already been paid, on the basis of receipt of claims payment advices. This amount also includes estimated nominal cash flows regarding future external costs for the settlement of incurred but, as of balance sheet date, outstanding claims, as well as refunds that are due for payment.

The provision for incurred but not reported claims (IBNR) includes costs for incurred but, to date, unknown claims and not yet fully reported claims. This amount is an estimate based on historic experience and outcome of claims.

The income statement recognizes the change in provision for in outstanding claims for the period.

*Claims adjustment provision*

The amount of this provision is based on outstanding claims. The provision is equal to a percentage of reported unpaid claims and a percentage of incurred unreported and not yet fully reported claims. The claims handling reserve for catastrophe insurance is calculated in the same way, but with the difference that they are calculated on an average of four to five years for those provisions. The period's change in the claims adjustment provision is recorded in the income statement within the items Claims handling expenses and Operating costs.

*Deferred acquisition costs for insurance contracts*

Deferred acquisition costs are only recorded for insurance contracts deemed to generate a margin at least covering the acquisition costs. Sirius only records external deferred acquisition costs. Other costs for insurance contracts are recorded as costs when they arise.

*Provision adequacy testing*

The Company's applied accounting and valuation principles for the balance sheet items Deferred acquisition costs, Provisions for unearned premiums and Unexpired risks automatically entail testing of whether the provisions are sufficient with regard to expected future cash flows.

*Operating costs*

All operating costs are allocated in the income statement according to their functional nature, acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, investment expenses and in certain cases, other technical costs. Changes in technical provisions for insurance contracts are recorded in the income statement under each heading. Payments to policyholders, due to insurance contracts or incurred claims, during the financial year, are recorded as claims paid, regardless of when the claim was incurred.



**Note 1 – Cont.****Ceded reinsurance**

As premiums for ceded reinsurance are recorded amounts paid during the financial year and amounts recorded as liabilities to the company that have assumed the reinsurance, in accordance with entered reinsurance agreements. Deductions are made for amounts credited due to portfolio transfers. Adjustments are also made for change in the reinsurer's share of proportional reinsurance contracts. The premiums are periodized so that costs are allocated to the corresponding period of the insurance cover. All items relating to ceded reinsurance are shown on separate lines in the income statement.

The reinsurers' share of technical provisions are recorded as an asset in the balance sheet and corresponds to the reinsurers' liability for technical provisions in accordance with entered agreements. The Company assesses any required impairment for assets referring to reinsurance agreements bi-annually. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment is recorded in the income statement.

**REPORTING OF INVESTMENT RETURN****Investment income allocated to the technical account**

Investment return is transferred from the non-technical account to the technical account on the basis of average technical provisions for the Company's own account, less deductions for net receivables in insurance operations. This capital base is allocated per currency. The transferred investment return is calculated on the basis of an interest rate per currency equivalent to the actual total yield from the investment assets belonging to the insurance operations. The weighted average interest rate for 2013 amounted to 0.9%.

**Applied interest rates**

%	2013	2012
EUR	1.68%	10.35%
GBP	1.96%	8.75%
SEK	0.80%	1.65%
USD	0.70%	3.85%

**Investment income**

The item Investment income refers to yield from investment assets and comprises rental income from land and buildings, dividends from shares and participations, including dividends from shares in Group companies, interest income, net foreign exchange gains, reversed impairments and net capital gains.

**Investment expenses and charges**

Charges on investment assets are recorded under the item Investment expenses and charges. The item comprises operating costs for land and buildings, asset management costs, interest expense, net foreign exchange losses, depreciations and impairments and net capital losses.

**Changes in realized and unrealized gains and losses**

For investment assets valued at acquisition value, capital gain comprises the positive difference between sale price and book value. For investment assets valued at fair value, a capital gain is the positive difference between sale price and acquisition value. For interest-bearing securities, acquisition value is the amortized cost value and, for other investment assets, it is the historical acquisition value. At the sale of investment assets, previously unrealized changes in value are recognized as adjustment entries under the item Unrealized profits from investment items or Unrealized losses from investment items, as appropriate. As regards interest-bearing securities classified as available-for-sale financial assets, previously unrealized changes in value are recognized as adjustment entries in Other comprehensive income. Capital gains from assets other than investment assets are recorded as Other income.

Unrealized gains and losses are recorded net per asset class. Changes due to exchange rate fluctuations are recorded as exchange rate gains or exchange rate losses under the item Investment income/expenses.

**Share of associated company's profit or loss**

Share of associated company's profit or loss represents Sirius' share of the associated company's result, accounted for according to the equity accounting

method. Currency translation effects are recorded in Other comprehensive income.

**INCOME TAX**

Income taxes are accounted according to IAS 12 and consist of current tax and deferred tax. Income taxes are recorded in the income statement, except when the underlying transaction is recorded in Other comprehensive income, whereupon the pertaining tax effect is recorded in Other comprehensive income.

**Current tax**

Current tax is tax to be paid or received regarding the current year, with application of the tax rates which have been enacted or practically enacted at balance sheet date, which also includes the adjustment of current tax referring to previous periods.

**Deferred tax**

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the book values of assets and liabilities and their tax values. Temporary differences are not considered as regards differences arising at the initial recording of goodwill and the initial recording of assets and liabilities that are not business acquisitions and which did not affect either net profit/loss or taxable profit/loss at the transaction date. Furthermore, temporary differences referring to participations in subsidiaries or associated companies that are not expected to be reversed within the foreseeable future are not considered either. The valuation of deferred tax is based on the extent to which underlying assets and liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and regulations that have been enacted or practically enacted as per balance sheet date.

The Group recognizes deferred tax assets on each closing day to the extent that it is probable that they can be used against future taxable income. This is based on assumptions on future profitability and earnings. If these assumptions change it could imply future reductions in deferred tax assets. Estimating future earnings, historical experience and assumptions of the future development of the underlying asset is considered.

**INTANGIBLE ASSETS****Goodwill**

Goodwill comprises the amount by which the acquisition cost exceeds the fair value of the Group's participation in the acquired subsidiary's or associate's identifiable net assets at the point in time of the acquisition. Goodwill on the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested annually for impairment and is recognized at acquisition cost less accumulated impairment losses. Impairment losses of goodwill are not reversed. Profit or loss on the sale of a unit includes the remaining carrying value of goodwill referring to the unit sold. Goodwill is distributed to cash-generating units upon testing of any write-down requirement.

**Other intangible assets**

Other intangible assets which have been acquired separately are reported at acquisition cost. Other intangible assets acquired through a business acquisition are reported at fair value as per the acquisition date. Acquired Other intangible assets are capitalized on the basis of the costs arising at the point in time in which the asset in question was acquired and put into operation. Accounting of an intangible asset is based on its useful life. An intangible asset with a finite useful life is amortized while an intangible asset with an indefinite life is not amortized but is impaired annually. Establishing the useful life is based on an analysis of each acquired intangible asset. The amortized amount of an intangible asset is periodized over the useful life.

**Self-developed software**

Costs for maintenance of software are charged at the time at which they arise. Development costs directly attributable to the development and testing of identifiable and unique software products controlled by the Company are reported as intangible assets when the following criteria are fulfilled:

- it is technically possible to prepare the software for use,
- the Company's intention is to complete the software and to put it into use,
- the conditions for the use of the software are in place,
- the manner in which the software can generate probable future economic benefits can be demonstrated,
- adequate technical, financial and other resources for the completion of development and for the use of the software are accessible, and

**Note 1 – Cont.**

- expenditure attributable to the software during its development period can be calculated in a reliable manner.

Other development costs, which do not fulfill these criteria, are charged at the time at which they arise. Development costs which have previously been charged are not reported as an asset in the following period. Development costs for software reported as an asset are amortized during their assessed useful life, which does not exceed five years.

*Licenses*

Licenses, acquired or otherwise received, are accounted as an intangible asset in accordance with IAS 38.

**LAND AND BUILDINGS**

All properties owned by the Company are operational properties and are valued using the acquisition cost method, in accordance with IAS 16. The Company owns three properties located in Sweden and Belgium. Sirius reports its properties in accordance with the acquisition cost method and the capitalized costs are depreciated over 50 years. No depreciation is carried out on land.

**FINANCIAL INSTRUMENTS**

Financial instruments recorded in the balance sheet include, on the asset side, shares and participations, loan receivables, bond and other interest-bearing securities as well as derivatives. Where appropriate, derivatives with negative market value are included among liabilities, other liabilities and shareholders' equity.

Acquisitions and disposals of financial assets are recorded on trade date, the date upon which the Company commits to acquire or dispose an asset and thus gains or loses control of the asset.

**Classification and valuation**

Financial instruments are initially recorded at acquisition value corresponding to the fair value of the instrument plus transaction costs, except in the case of instruments belonging to the category Financial assets recorded at fair value via the income statement, which are recorded at fair value exclusive of transaction costs. A financial instrument is classified when it is initially reported, based upon the purpose for which the instrument was acquired. This classification determines the manner in which the financial instrument will be valued after initial recording, as described below.

*Financial assets valued at fair value via the income statement*

This category consists of two sub-groups: financial assets held for trading and other financial assets that the Company had initially designated on initial recognition as an asset to be measured at fair value through the income statement (according to the so-called Fair Value Option). Fair Value Option is used in order to reduce mismatch between valuation and accounting of financial assets. (i.e. accounting mismatch). Financial instruments in this category are continually valued at fair value, with changes in value recorded in the income statement. The first sub-group includes derivatives with a positive fair value. The first sub-group includes derivatives with a positive fair value. The second sub-group consists of financial investments in bonds and other interest-bearing securities along with shares and participations, with the exception of shares in subsidiaries or associated companies.

**Classification and valuation***Financial instruments listed on an active market*

For financial instruments listed on an active market, fair value is determined on the basis of the asset's listed bid rate at balance sheet date, with no added transaction costs (e.g. commission) at the time of acquisition. A financial instrument is considered to be listed in an active market if listed prices are easily accessible on a stock exchange, with a trader, broker, trade association, company supplying current price information or supervisory authority and these prices represent actual and regularly occurring market transactions under business-like conditions. Possible future transaction costs from a disposal are not considered. These instruments are included in the balance sheet items Shares and participations and Bonds and other interest-bearing securities. The predominant proportion of the Company's financial instruments has been assigned a fair value with prices quoted on an active market.

*Financial instruments not listed on an active market*

If the market for a financial instrument is not active, the Company establishes the fair value by means of various valuation techniques. As far as is possible,

the valuation methods employed are based on market data, while company-specific information is used to the least degree possible. The Company regularly calibrates valuation methods and tests their validity by comparing the outcome of the valuation methods with prices from observable current market transactions in the same instrument.

The total effect in the Income Statement for the year, and the values in the December 31, 2013 balance sheet, for financial instruments valued at fair value by using valuation techniques based on assumptions that are neither supported by the prices from observable current market transactions in the same instruments, nor based on available observable market information, is disclosed in Note 18.

*Debtors, Loans receivables and pre-payments and accrued income*

This category includes non-derivative financial assets which are not listed on an active market and with fixed or determinable payments. These assets are held at amortized cost. These assets are reported in the amounts which are expected to be received, that is, after deductions for bad debt provisions. The major posts are Interest bearing investments emitted by, and loans to, group companies and Other debtors.

*Available-for-sale financial assets*

The category available-for-sale financial assets include financial assets not classified in any other category or financial assets that the Company has initially chosen to classify in this category. The holding of bonds and other interest-bearing securities is recorded here. Assets in this category are continuously valued at fair value with changes in value recorded in other comprehensive income, except for changes in value due to impairment or to foreign exchange rate differences on monetary items recorded in the income statement. Furthermore, interest on interest-bearing instruments is recorded in accordance with the effective interest method in the income statement. As regards these instruments, any transaction costs will be included in the acquisition value when initially reported, and will, thereafter, be assessed on an ongoing basis at fair value, to be included in other comprehensive income, until that point in time the instruments in question mature or are disposed. At disposal of the assets, the accumulated profit/loss is recorded in the income statement.

A long-term approach forms the basis for investments in this category, where the yield granted by these instruments at the time of investment is of significance for which investments shall be made.

**Other financial liabilities**

Borrowings and other financial liabilities, for example, accounts payable, are included in this category. These liabilities are valued at fair value including transaction costs and are subsequently accounted at amortized cost.

**Financial guarantees**

Financial guarantee agreements are recorded as insurance contracts in accordance with the accounting principles described in the section Accounting of insurance contracts, above.

**Write-downs of financial instruments***Impairment testing of financial assets*

At each reporting date, the Company assesses whether there exists any objective evidence indicating that a financial asset or group of assets requires impairment as a consequence of one or several events occurring after the asset is reported for the first time and that these loss-making events have an impact on the estimated future cash flows from the asset or group of assets. If there is objective evidence indicating that an impairment requirement may exist, the assets in question are considered to be doubtful. Objective evidence is constituted both of observable conditions which have arisen and which have a negative impact on the possibility of recovering the acquisition cost, and of significant or extended reductions of the fair value of a financial investment classified as an available-for-sale financial asset.

*Reversal of impairment*

An impairment is reversed if an indication exists both that the impairment requirement no longer exists and that a change has taken place in the assumptions forming the basis of the estimation of the impaired amount. The impairment of loans receivable and account receivables, recorded at amortized cost, is reversed if a later increase of the recoverable amount can be objectively related to an event occurring after the impairment has been performed.

The impairment of interest-bearing instruments, classified as available-for-sale financial assets, is reversed via Other comprehensive income if

**Note 1 – Cont.**

fair value increases and this increase can objectively be related to an event occurring after the write-down was carried out.

**LEASED ASSETS**

All lease agreements are classified and recorded in the Group and Parent Company as operational leases. In operational leasing, the leasing fee is expensed over the duration of the lease, on the basis of the benefit received, which can differ from the amount paid as a leasing fee during the year.

**TANGIBLE ASSETS**

Tangible assets are recorded at acquisition value after deduction for accumulated depreciation and any impairment, with a supplement for any appreciation. In disposal or sale, gains and losses are recorded net in operating cost. Depreciation takes place systematically over the estimated useful lives of the assets. Estimated useful lives for equipment such as cars, furniture and computer equipment amounts to 3–10 years.

**Depreciation of tangible and amortization of intangible assets**

*Impairment testing of, tangible and intangible assets, and participations in subsidiaries and associated companies*

The reported values of the assets are tested on each balance sheet date. If any indication of an impairment requirement exists, the asset's recoverable amount is estimated in accordance with IAS 36.

An impairment loss is recognized when the reported value of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in the income statement. The impairment of assets related to a cash-generating unit is primarily allocated to goodwill. The proportional impairment of other assets included in the unit is subsequently performed.

The recoverable amount is the highest of fair value less selling expenses and value in use. In the calculation of value in use, future cash flow is discounted by a discount factor that considers the risk-free interest rate and the risk associated with the specific asset.

*Reversal of impairment*

An impairment is reversed if an indication exists both that the impairment requirement no longer exists and that a change has taken place in the assumptions forming the basis of the estimation of the recoverable amount. However, the impairment of goodwill is never reversed. Reversals are only performed to the degree that the asset's reported value after reversal does not exceed the reported value that should have been reported, with deduction for depreciation or amortization when appropriate, if no impairment had been carried out.

**DIVIDENDS**

Dividends are recorded as liabilities after approval of the dividend by the General Meeting of Shareholders.

**OTHER PROVISIONS**

A provision is recognized in the balance sheet when the Company has an existing legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and when the amount can be estimated reliably. In cases in which the date of payment has a material effect, the amount of the provision is calculated via the discounting of the expected future cash flow to an interest rate before taxes which reflects the relevant market assessments of the effect of the time value of money and, if applicable, the risks associated with the liability.

**Pensions and similar commitments**

The Group companies' pension plans differ. The pension plans are usually financed through payments to insurance companies or managed funds. These payments are determined based on periodic actuarial calculations. The Group has both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. A characteristic of defined benefit plans is that they indicate a level for the pension benefit an employee receives after retirement, usually based on one or several factors, such as age, duration of employment and salary.

The liability reported in the balance sheet regarding defined benefit pension

plans is the current value of the defined benefit obligation at the end of the period, reduced with the fair value of the managed assets, with adjustments for actuarial gains and losses. The defined benefit pension plan obligation is calculated annually by independent actuaries applying the so-called projected unit credit method. The current value of the defined benefit obligation is determined through discounting of expected future cash flows, using interest rates determined by current market interest rates. The market rates take into account the characteristics of the defined pension obligation, both in terms of duration and the currency in which the remuneration will be paid.

The service cost for current year is recognized in the Income Statement. Costs referring to service during earlier periods are reported directly in the income statement, unless the changes in the pension plan are conditional on the employee remaining employed during a given period (earning period). In this case, the cost referring to service during earlier periods is distributed on a straight-line basis over the earning period. Actuarial gains and losses on the defined benefit obligation and the fair value on the plan assets are recognized in Other comprehensive income (OCI).

The group has defined benefit plans in Sweden (collective agreement) and Germany which are based on the employees' pension entitlements and length of employment. In Germany all employees are included in the plan. In Sweden only employees born 1971 or earlier are covered by defined benefit plans and, thus, form part of the FTP2.

Furthermore, there are two variations of retirement earlier than at the age of 65. Employees born 1955 and earlier have the possibility to retire between the ages of 62 and 65 according to local agreement. Staff employed before January 1, 2004 have the right to retire from the age of 64. These plans are also defined benefit plans and are reflected in financial statements of both the Group and the Parent Company.

For defined contribution pension plans, the Group pays fees to publicly or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The Group has no further payment obligations when all fees are paid. The fees are reported as personnel costs at the point in time at which they fall due for payment. Prepaid fees are reported as an asset to the extent that cash repayment or reduction of future payments may benefit the Group.

**Remuneration upon termination of employment**

Remuneration upon employment of contract is payable when an employee's employment is terminated by the Group before the normal retirement age or when an employee voluntarily accepts the termination of employment in exchange for such remuneration. The Group reports severance payments when it is demonstrably obliged to terminate employees' employment in accordance with a detailed formal plan, without possibility of revocation. In the case that the Company has submitted an offer to encourage voluntary termination of employment, the calculation of severance payment is based on the number of employees which it is estimated will accept this offer.

**CONTINGENT LIABILITIES**

A contingent liability is recognized when there is a possible obligation which arises from past events and whose existence is solely confirmed by one or more uncertain future events, or when there is a commitment which is not recorded as a liability or provision due to the fact that it is unlikely that an outflow of resources will be required.

**PARENT COMPANY'S ACCOUNTING PRINCIPLES**

The Parent Company's annual report, as well as its financial statements in general, has been prepared using the same accounting principles and calculation methods used in the most recent annual report.

**Differences between accounting principles in the Group and the Parent Company**

The differences between the accounting principles in the Group and the Parent Company are presented below. The accounting principles stated below for the Parent Company have been consistently applied for all periods presented in the Parent Company's financial statements, unless stated otherwise.

*Goodwill*

Goodwill represents the difference between acquisition cost for business acquisitions and the fair value of acquired assets, assumed liabilities and contingent liabilities. In the Parent Company, goodwill is amortized in accordance with the Swedish Annual Account Act and is reported in the balance sheet on a straight-line basis over the estimated useful life of the asset. The estimated useful life is

## Note 1 – Cont.

reviewed annually. The estimated useful life for goodwill, and goodwill arising from the purchase of the net assets of a business, amounts to 20 years. Amortization which deviates from plan is handled as an appropriation and is reported under the heading Difference between reported depreciation/amortization and depreciation/amortization according to plan.

### *Subsidiaries and associated companies*

The Parent Company records participations in subsidiaries and associates according to the cost method. Only dividends which have been received are recognized as income, provided that such dividends derive from profits earned subsequent to the acquisition. Dividend amounts exceeding this earned profit are considered as repayment of the investment and reduce the carrying value of the participations.

In the Parent company's financial statements transaction costs are capitalized in the balance sheet and are added to the total acquisition amount booked as shares in subsidiaries. In the consolidated accounts transaction costs are expensed according to IFRS 3.

### *Anticipated dividends*

Anticipated dividends from subsidiaries are recorded in those cases in which the Parent Company has the sole right to make decisions regarding the amount of the dividend and the Parent Company has reached a decision on the dividend's amount before the Parent Company has published its financial statements.

### *Taxes*

Untaxed reserves are recorded in the Parent Company including deferred income tax liabilities. However, untaxed reserves in the consolidated accounts are allocated between deferred income tax liabilities and shareholders' equity.

### *Pensions*

The Parent Company applies a different form of reporting of defined benefit pension plans than stipulated in IAS 19. The Parent Company's reporting of defined benefit pension plans follows the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, as it is stated in RFR 2 that it is not necessary to apply the regulations in IAS 19 regarding defined benefit pension plans in legal entities. Pension costs are reported as Operational expenses in the Parent Company's income statement and a provision referring to individuals with the option of retiring at the ages of 62 and 64 is found on the line Pension provisions in the Parent Company's balance sheet.

### *Appropriations and untaxed reserves*

Appropriations and untaxed reserves are only recorded in the Parent Company.

Taxation legislation in Sweden gives companies the option of decreasing taxable income for the year by making provisions to untaxed reserves. When applicable, untaxed reserves are set off against fiscal loss deductions or become subject to taxation upon resolution. In accordance with Swedish practice, changes in untaxed reserves are recorded in the income statement. Provisions

made to untaxed reserves are recorded in the income statement under the heading Appropriations. The accumulated value of the provisions is recorded in the balance sheet under the heading Untaxed Reserves.

A total of 22% of the untaxed reserves can be considered as a deferred tax liability and 78% as shareholders' equity. The deferred tax liabilities can be described as an interest-free liability with a non-defined duration. In the group accounts, 22% of the untaxed reserves are allocated to deferred tax liabilities and 78% to shareholders' equity. In an assessment of financial strength, the total value of the untaxed reserves is considered risk capital, as any losses can be covered, to a large extent, by the dissolution of untaxed reserves without taxes becoming payable. The largest item attributable to untaxed reserves refers to the safety reserve. The safety reserve forms a collective security-conditioned reinforcement of the technical provisions. Accessibility is limited to loss coverage and otherwise requires official authorization.

### *Equalization provision*

The Parent Company's balance sheet includes an Equalization provision within Technical provisions, and any changes for the period in this provision are reported in the income statement. The amount of the provision is calculated as the equivalent of 150% of the highest net premium income for Class 14, credit insurance, with equivalent reinsurance, for the five most recent financial years. The provisions for each financial year are equivalent to 75% of the technical surplus in the credit insurance operations. However, in the consolidated balance sheet, the Equalization provision is allocated into deferred tax liabilities and shareholders' equity.

### *Group contributions and shareholders' contributions for legal entities*

The Company reports group contributions and shareholders' contributions in accordance with the Swedish Financial Reporting Board (RFR2).

Shareholders' contributions are recorded directly against shareholders' equity in the receiving entity and in shares and participations in the entity providing the contribution, to the extent that no impairment is required.

Group contributions are recorded according to their financial significance. This implies that group contributions provided and received for the purpose of minimizing the Group's total taxes are recorded directly against retained earnings, with a deduction for the current tax effects of the contribution.

Group contributions which can be seen as the equivalent of a dividend are reported as a dividend. This implies that group contributions received and their current tax effects are recorded in the income statement. Group contributions provided and their current tax effects are recorded directly against retained earnings. In the receiving entity, group contributions which can be seen as the equivalent of a shareholders' contribution are directly recorded in retained earnings, with consideration for current tax effects. The contributor records the group contribution and its current tax effects as investments in participations in the Group companies, to the extent that impairments are not required.







## Note 2 – Information on risks

### RISK MANAGEMENT

The company's Enterprise Risk Management, ERM, is at the heart of Sirius' thinking. Sirius defines ERM as the discipline by which the company identifies, assesses, controls, monitors, and discloses risks from all sources for the purpose of increasing Sirius' short- and long-term value to its stakeholders.

ERM is an ongoing process with the objective of creating a risk management culture that emanates from top management and which permeates throughout the entire organization. Sirius strives to maintain a risk culture where employees are aware of and measure, assess and communicate risk as part of their responsibilities. Management's role includes communicating, implementing, monitoring and nurturing this culture.

The objectives of Sirius' work with ERM are:

- Define Sirius' risk tolerance and develop appropriate operating guidelines consistent with that framework
- Optimize profitability within the established risk tolerance framework
- Provide clear information for strategic management decisions
- Demonstrate strong risk management through a well defined process including identification, quantification, monitoring, and appropriate management response
- Provide stakeholders with transparent risk management information
- Comply with current Solvency II standards and with all regulatory requirements

### RISK STRATEGY AND THE COMPANY'S RISK TOLERANCE

Risk strategy and risk tolerance comprise the foundation of the risk management processes. Sirius' risk strategy and risk tolerance have been established by Sirius' Board of Directors, which aims to secure a balance between risk, return and capital requirements. As part of the planning process, strategic limits are explicitly discussed and specified. The strategic risk tolerance is expressed either in quantitative terms (e.g., an aggregate risk limit for windstorms in Europe) or in qualitative terms (e.g., in relation to operational risk). From these overall risk tolerance statements, risk limits are applied at a detailed level throughout the organization in the form of maximum risk exposure, retrocession limits, foreign exchange exposure limits, maximum equity exposure in the investment portfolio, etc.

As part of the ERM culture, Sirius embraces the following qualitative principles:

- Controlled risk taking and appropriate capitalization
- Insurance transactions are expected to yield positive technical results
- Active use of retrocessional protections as part of business and capital planning
- Reduce risk by proper risk selection and active portfolio diversification
- Strong accumulation control
- Strong and independent control functions
- Motivate employees to further develop their risk management capabilities

### RISK GOVERNANCE

The risk management processes within Sirius are supported by a risk management infrastructure consisting of the Board of Directors, an experienced management team, various risk committees, control functions, policies and procedures, risk models and reporting routines. This is described in further detail in the risk sections below.

Sirius' Board of Directors is ultimately responsible for the company's risk management strategy, risk tolerances and policies and Sirius' management has the day-to-day responsibility for all ERM activities. To deploy these responsibilities, different risk committees carry out certain pre-defined duties.

The Risk Management Committee has the objective of formalizing the oversight of critical risks, including the following risk management processes:

- Establishment of risk tolerances
- Identification and management of emerging risks
- Quantification and subsequent monitoring of exposures
- Implementation of risk reduction/reward expansion strategies
- Risk reporting

Sirius' functions for risk control and compliance are responsible for the independent monitoring of Sirius' risks. The functions submit quarterly risk reports

and compliance reports to the CEO, the Management Group and to the Board of Directors. Additionally, ad hoc reporting is done when deemed necessary.

Internal Audit fulfils an important role in the independent evaluation of risk management and control systems. This includes the evaluation of the reliability of reporting, the effectiveness and efficiency of operations, and compliance with laws and regulations. The Internal Audit department reports directly to the Board of Directors.

Sirius' ultimate owner is listed on the New York Stock Exchange and, consequently, is required by the Sarbanes-Oxley Act, Section 404, to express an opinion on the effectiveness of internal control over financial reporting executed during the year. As part of this assessment, a thorough documentation and evaluation of all processes and controls leading up to the annual report have been undertaken. This work has enabled Sirius to demonstrate compliance with the requirements of the Act.

### INSURANCE RISK MANAGEMENT

#### Goals, principles and methods

A clear focus on managing insurance risks is vital for Sirius' continued success. These risks are managed mainly by evaluating the degree of gross and net risk (after retrocessional protections) that Sirius is willing to assume.

Sirius divides insurance risk management into two principal areas; underwriting risk and reserve risk.

#### Underwriting risk

Underwriting risk refers to premium and accumulation assessment, which is defined as premium risk and catastrophe risk, respectively. The underwriting risk assessment is performed by underwriters on each individual risk and the Chief Underwriting Officer is ultimately responsible for managing these risks.

The goal for all underwriting is to maximize profitability for each selected risk level. The anticipated profitability of each contract which is entered into shall comprise the basic ground for decision making regarding all underwriting. Other underwriting guiding principles include diversification, strong accumulation controls and an active use of reinsurance in order to adjust risks to acceptable risk tolerance levels.

At Sirius America the ultimate responsibility for managing these risks is assigned by underwriting unit. For property it is the Property Chief Underwriting Officer, and for A&H it is the Global A&H Head in conjunction with the America Underwriting Manager. They are ultimately responsible for managing these risks. Sirius America is governed by similar underwriting guidelines as Sirius International, as appropriate.

The insurance premiums for assumed business are to cover expected losses and expenses as well as provide a reasonable return on deployed capital. The premium risk is therefore associated with any possible level of losses deviating from expected levels. The premium risk is generally managed through the application of pricing models and underwriting procedures, but also through a restructuring of under-performing business, or through declining to accept such business.

If a larger, catastrophic event occurs, simultaneously impacting a large number of cedants, this may result in a single loss that could offset the expected annual profit, or, even consume a portion of the solvency capital. This catastrophic risk is managed with the assistance of underwriting methods and tools which monitor and control the company's total aggregate risks, both gross and net. Catastrophe risk is also managed by the effective use of retrocessional protections.

In order to ensure consistency in the underwriting process, all underwriting within Sirius complies with specific rules and procedures. Detailed underwriting guidelines comprise the framework for all risk acceptances, and these guidelines contain sections regarding, for example, limits, underwriting authorities and restricted business. A Four-Eyes underwriting system, that is, a system in which at least two individuals participate in each decision, is applied for the majority of the business. The underwriting guidelines are reviewed at least annually and updated when appropriate.

There are several levels of control functions as well as technical systems, which are in place to monitor and control that underwriting policies and procedures are followed. At Sirius International, there is an underwriting control unit reporting to the Chief Underwriting Officer. This group focuses in detail on how the business is underwritten and that the underwriters follow issued policies and procedures. Another group controls the underwriting system and ensures it is used correctly and that input data is accurate. Finally, Risk Control, Compliance and Internal Audit also monitor these control groups, carrying out random inspections/tests, in detail ensuring they use sufficient control.



## Note 2 – Cont.

### Retrocession

Sirius International uses retrocessional reinsurance as a tool to manage net risk and has a centralized unit responsible for the purchasing and administration of its outwards reinsurance. The implementation of reinsurance purchases is based on the strategic direction of the inwards portfolio, overall risk tolerances and the search for an optimal portfolio mix. Catastrophe models and capital modeling tools are used in the analytical and decision making process.

### Sensitivity to risks attributable to insurance agreements

Within the insurance operations, natural catastrophe exposure (wind, flooding, and earthquakes) constitutes the company's greatest risk. In order to manage this catastrophe risk, and the resulting accumulated risks, the company utilizes a number of different models. In 2012, Sirius started using a new proprietary property underwriting and pricing tool ("GPI"), which consolidates and reports on all its worldwide property exposures. GPI is used to calculate individual and aggregate PMLs by statistical blending of multiple third-party and proprietary models. There is a process in place to evaluate and select a model of choice per territory and peril. Based on the new tool, reports and analyses can be produced on an as required basis demonstrating the various degrees of likelihood of estimated claims. Everything from average claims per year to claims that are only expected to occur once every 10,000 years can be stochastically estimated using these models. Aside from the possibility of modeling single events, multiple occurrences within one calendar year are also modeled.

Sensitivity analyses are undertaken based on a comparison of claims estimated by various models, but also through changes to the assumptions applied by the different models, such as, return periods.

In addition, Sirius utilizes a system linked to the underwriting system. In this system, all business is registered and the company's exposure is measured via a number of predefined catastrophe scenarios.

Sirius also registers and monitors total exposed limits to wind and earthquake losses per country and/or zone.

### Concentrations and sensitivity analysis

The table below shows a summary of the manner in which Sirius analyzes catastrophe risks, divided by geographical area and return periods. Sirius analyzes catastrophe risks each quarter during the financial year. The figures show the situation at the end of Q4 2012 and 2013.

#### SENSITIVITY ANALYSIS – LOSSES DIVIDED BY GEOGRAPHICAL AREA AND RETURN PERIODS FOR THE GROUP

	2013		2012	
	Once per 100 years	Once per 250 years	Once per 100 years	Once per 250 years
Global – Gross	3,691	4,243	3,734	4,206
Global – Net	3,242	3,605	3,169	3,641
Europe – Gross	3,026	3,987	3,108	4,019
Europe – Net	1,595	2,039	1,432	1,865
US – Gross	3,234	3,665	3,277	3,725
US – Net	3,134	3,558	3,103	3,590

Through the use of these simulation models, the company can obtain an estimation of catastrophe risk, both prior to and after retrocession.

In addition, to manage its aggregate exposure to very large catastrophe events, among other measures Sirius has been monitoring the largest net financial impact ("NFI") that third-party models predict it would suffer based on the extreme tail of the modeled losses. Sirius monitors multiple indicators of catastrophe tail risk to measure its financial exposure to such scenarios. Sirius focuses on monitoring NFI TVaR, including the 100, 250, 500 and 1,000 year return periods in order to manage the potential impact of remote events on the Sirius financial position. The calculation of the NFI begins with the modeled TVaR PML and takes account of estimated reinstatement premiums, reinsurance recoverables net of estimated uncollectible balances, and tax benefits. This amount is deducted from Sirius' planned legal entity comprehensive net income for the year (before any planned losses for catastrophe events) to arrive at the NFI. The NFI does not include the potential impact of the loss events on Sirius' investment portfolio.

Within Aviation reinsurance, the company applies another licensed third-party model, ALPS, in which the exposure per airline company can be modeled and monitored. Within the insurance classes Accident & Health, Property and Trade Credit, the company has models which it has developed internally.

### RESERVE RISK

The reserving risk, i.e. the risk that insurance technical provisions will be insufficient to settle incurred and future claims, is foremost handled by actuarial methods and a careful continuous review of reported claims.

Provisions are made to obtain a correct balance sheet and match revenues and costs with the period in which they emerged. The amount of the provision shall correspond to the amount that is required to fulfill all expected obligations and reflect the best knowledge available to Sirius. Acknowledged and appropriate methods are used in these estimations.

Sirius supports its decisions on provisions by a combination of several actuarial methods, such as the Chain Ladder method, the Bornhuetter-Ferguson method and the Benktander method. A combination of benchmarks and underwriting judgment is used for the most recent years.

Regarding run-off results and claims development from previous years please refer also to Note 4 Claims incurred and Note 23 Claims Reserve, where a specification of claims costs and expenses relating to the current year and prior years is made.

The Group has asbestos and environmental claims amounting to MSEK 1,240 (1,231) net in the Group balance sheet. These claims are actively managed and are subject to recurrent in depth analyses, the latest during the second half of 2013.

### Historical loss reserve trends

The table below shows historical loss reserve trends. When reading the table it should be noted that amounts in other currencies are converted to the closing exchange rate for 2013. The table below is thus not directly comparable to the income statement. The increases in claims costs shown in the table should be seen in relation to earned exposure. The amounts shown do not include internal claims adjustment expenses. During 2004 two larger operations were acquired. These operations were accounted for in a way that does not make amounts fully available, thus we show the annual development starting with underwriting year 2005. Generally development of runoff portfolios are included only after they are acquired. This implies that the table only shows the loss development from the date of acquisition, which is the point of time when controlling influence was obtained.

## Note 2 – Cont.

<b>GROUP</b>		2004 and prior years		2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
<b>CLAIMS, GROSS UNDERWRITING YEAR</b>													
<b>Estimated claims:</b>													
At the close of the calendar year				3,070	2,409	3,369	3,405	3,307	2,822	3,986	2,586	2,786	
1 year later				3,613	2,995	3,895	4,215	4,771	6,892	5,374	3,642		
2 years later				3,509	5,544	3,887	4,210	7,189	6,778	5,312			
3 years later				3,484	5,123	3,813	7,092	7,063	6,737				
4 years later				3,472	6,000	6,890	7,058	7,003					
5 years later				3,467	8,581	6,859	7,042						
6 years later				14,439	7,245	6,853							
7 years later				14,452	4,931								
8 years later				14,412									
Current estimate of total claims				14,412	4,931	6,853	7,042	7,003	6,737	5,312	3,642	2,786	
Total paid				14,009	4,654	6,566	6,667	6,620	5,855	4,479	2,190	446	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>				5,257	403	277	287	383	882	833	1,452	<b>2,340</b>	<b>12,489</b>
<b>CLAIMS, NET OF REINSURANCE UNDERWRITING YEAR</b>													
<b>Estimated claims:</b>													
At the close of the calendar year				2,559	2,131	2,954	3,097	2,832	2,286	3,539	2,231	1,943	
1 year later				3,039	2,700	3,432	3,704	3,690	6,249	4,814	3,080		
2 years later				2,948	2,751	3,404	3,669	6,218	6,037	4,601			
3 years later				2,938	2,734	3,330	6,782	5,875	6,002				
4 years later				2,926	2,711	6,563	6,185	5,821					
5 years later				2,922	4,797	6,250	6,091						
6 years later				7,914	4,585	5,938							
7 years later				7,473	4,540								
8 years later				7,442									
Current estimate of total claims				7,442	4,540	5,938	6,091	5,821	6,002	4,601	3,080	1,943	
Total paid				7,113	4,279	5,679	5,758	5,478	5,233	3,868	1,864	297	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>				4,361	329	261	259	333	343	769	733	<b>1,646</b>	<b>10,250</b>
<b>PARENT COMPANY CLAIMS, GROSS UNDERWRITING YEAR</b>													
		2004 and prior years		2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
<b>Estimated claims:</b>													
At the close of the calendar year				3,070	2,409	3,369	3,405	3,307	2,822	2,020	1,638	2,132	
1 year later				3,613	2,995	3,895	4,215	4,771	4,285	3,142	2,379		
2 years later				3,509	5,544	3,887	4,210	4,563	4,147	2,802			
3 years later				3,484	5,123	3,813	4,148	4,486	4,124				
4 years later				3,472	6,000	3,794	4,148	4,452					
5 years later				3,467	6,590	3,780	4,131						
6 years later				3,457	5,306	3,777							
7 years later				3,456	2,993								
8 years later				3,446									
Current estimate of total claims				3,446	2,993	3,777	4,131	4,452	4,124	2,802	2,379	2,132	
Total paid				3,399	2,937	3,688	3,892	4,180	3,431	2,036	1,312	329	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>				724	47	56	89	272	693	766	1,067	<b>1,803</b>	<b>5,756</b>
<b>CLAIMS, NET OF REINSURANCE UNDERWRITING YEAR</b>													
<b>Estimated claims:</b>													
At the close of the calendar year				2,559	2,131	2,954	3,097	2,832	2,286	1,550	1,282	1,311	
1 year later				3,039	2,700	3,432	3,704	3,690	3,533	2,405	1,818		
2 years later				2,948	2,751	3,404	3,669	3,516	3,389	2,090			
3 years later				2,938	2,734	3,330	3,603	3,501	3,370				
4 years later				2,926	2,711	3,307	3,610	3,478					
5 years later				2,922	2,704	3,294	3,599						
6 years later				2,912	2,696	3,293							
7 years later				2,911	2,696								
8 years later				2,902									
Current estimate of total claims				2,902	2,696	3,293	3,599	3,478	3,370	2,090	1,818	1,311	
Total paid				2,857	2,656	3,230	3,431	3,282	2,802	1,425	986	182	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>				647	45	40	63	196	568	665	832	<b>1,129</b>	<b>4,353</b>

<sup>1)</sup> For reconciliation against Balance Sheet, see Note 23.

## Note 2 – Cont.

### FINANCIAL RISK MANAGEMENT

#### Goals, principles and methods

In the company's operation various types of financial risks arise, such as market risks, credit risks and liquidity risks. In order to limit and control the risk taking in the operations, Sirius' Board of Directors, being ultimately responsible for the internal control in the company, has determined guidelines for the financial operations.

The overall investment objective is to achieve consistent positive returns and to maximize long-term after-tax return on invested assets within prudent levels of risk, through a diversified portfolio of high-quality fixed income and equity investments.

Sirius makes an important distinction between Policyholder Funds Investments and Owners' Funds Investments. Policyholder Funds are defined as policyholder liabilities plus statutory minimum capital and surplus, less policyholder assets. Policyholder liabilities are Net Technical Reserves as defined by The Swedish Financial Supervisory Authority (FSA), *Finansinspektionen*.

As regards Policyholder Funds Investments, at least 95 percent shall be invested in fixed income securities at all times. Furthermore, at least 80 percent of the fixed income portfolio must be creditworthy and liquid; i.e. consisting of securities with high credit ratings (investment grade).

To limit concentration risk, the guidelines also include restrictions on exposures due to size, industry and financial strength rating.

The balance of Sirius' investable assets (Owners' Funds Investments) may utilize a mixture of fixed income, equity and private investments with a focus on maximizing total return and preserving capital.

#### Market risk

Market risk is the risk that an actual value on current or future cash flows from a financial instrument varies due to changes in market prices and due to changes in their respective volatilities. There are three types of market risk: interest rate risk, currency risk and other price risk, primarily equity risk.

The Currency and Market Risk group is responsible for the continuous management of market risks. The development of the market risks is reported within the Currency and Market Risk group on a monthly basis. The group consists of Chief Financial Officers and Investment Officers from Sirius International and Sirius America. The Currency and Market Risk group is reporting to the Investment Committee of Sirius.

The company's investment operations during 2013 yielded a total return of 3.6 percent (5.7 percent in 2012), expressed in SEK. The duration in the portfolio with interest-bearing investments at the end of 2013 was 2.2 years which was lower compared to 2012 (2.6 years). During the year, only minor changes between different asset classes have been made. The table below shows the investment assets divided by class of asset, excluding deposits in companies that are reinsured by Sirius.

#### INVESTMENT ASSETS, DIVISION BY CLASS OF ASSET, PERCENTAGE SPLIT

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Bonds and other interest-bearing securities	72.67	76.67	34.60	49.90
Shares in associated companies	–	–	54.46	41.01
Shares and participations	17.58	14.24	2.10	2.73
– <i>whereof venture capital companies</i>	2.79	1.72	0.40	0.52
Derivatives	1.17	1.30	1.44	1.62
Cash and bank balances	8.57	7.79	7.40	4.74
<b>TOTAL</b>	<b>100.00</b>	100.00	<b>100.00</b>	100.00



**Note 2 – Cont.**

Below, the company's exposure and sensitivity to the respective market risks are described. The descriptions are made on the basis of the company's reporting of the Traffic Light model to the Swedish FSA as per December 31, 2013 with its sensitivity analyses in the form of stress tests and subsequent capital requirements.

*Interest Rate Risk*

The company is exposed to the risk that the market value on its fixed-interest assets decreases as market interest rates increase, or alternatively, that the

market value increases as the interest rates decrease. The level of interest rate risk increases with the asset's duration. The tables below illustrate, in absolute figures, the exposure to interest rate risk in accordance with the risk scenarios per the Traffic Light model as per December 31, 2013 and December 31, 2012. As of December 31, 2013 new guidelines for the computation of Interest Rate Risk were implemented by the Swedish FSA.

**INVESTMENT ASSETS, INTEREST RATE RISK ACCORDING TO THE TRAFFIC LIGHT MODEL RISK SCENARIOS**

GROUP	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CORRESPONDING BASIS POINTS		CAPITAL REQUIREMENTS (MSEK)	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets in SEK	3,049	2,689	100 bp	30%	100	46	77	35
Assets in EUR	1,492	1,470	100 bp	25%	100	33	41	19
Assets in USD and other currencies	12,394	14,076	100 bp	30%	100	53	263	209
<b>TOTAL</b>	<b>16,935</b>	<b>18,235</b>		-		-	<b>381</b>	<b>263</b>

PARENT COMPANY	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CORRESPONDING BASIS POINTS		CAPITAL REQUIREMENTS (MSEK)	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets in SEK	2,059	2,690	100 bp	30%	100	46	56	35
Assets in EUR	1,467	1,471	100 bp	25%	100	33	40	19
Assets in USD and other currencies	3,038	5,885	100 bp	30%	100	53	83	88
<b>TOTAL</b>	<b>6,564</b>	<b>10,046</b>				-	<b>179</b>	<b>142</b>

*Equity Risk*

The equity risk is the risk that the market value of equity securities will decrease as a result of factors related to the external economic climate and factors related specifically to the company in question. Equity risks are mainly

mitigated by a diversification of the equity securities portfolio. The tables below show the equity risk in accordance with the risk scenarios per the Traffic Light model as per December 31, 2013 and December 31, 2012.

**INVESTMENT ASSETS, EQUITY RISK ACCORDING TO THE TRAFFIC LIGHT MODEL RISK SCENARIOS**

GROUP	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
	2013	2012	2013	2012	2013	2012
Foreign shares and participations	4,097	3,567	35%	35%	1,434	1,248
Foreign stock warrants	-	-	-	-	-	-
Foreign subsidiaries and associated companies	-	-	-	-	-	-
<b>TOTAL</b>	<b>4,097</b>	<b>3,567</b>		-	<b>1,434</b>	<b>1,248</b>

PARENT COMPANY	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
	2013	2012	2013	2012	2013	2012
Foreign shares and participations	2,027	1,820	35%	35%	709	637
Foreign stock warrants	-	-	-	-	-	-
Foreign subsidiaries and associated companies	5,854	7,052	35%	35%	2,049	2,468
<b>TOTAL</b>	<b>7,881</b>	<b>8,872</b>		-	<b>2,758</b>	<b>3,105</b>

**Note 2 – Cont.****Currency Risk**

Currency risk arises if assets and liabilities in the same foreign currency vary in amounts.

The Currency and Market Risk group meets at least monthly in order to monitor currency exposure and limit currency risk. In addition, it is the responsibility of the group to review and update the Currency Risk Policy and ensure it is approved by the Investment Committee and the Board of Directors on an annual basis.

Sirius' total net currency exposure is divided into two categories, exposure related to Policyholder Funds, which is matched with the corresponding assets,

and exposure related to Owners' Funds. Sirius' net Policyholder Funds exposure for currency risk is marginal as the objective for managing currency risk is to match net insurance liabilities in foreign currency with corresponding assets on timely basis. The Group's total net exposure for currency risk, i.e. including both Policyholder and Owners' Funds, before and after any hedging by derivatives is shown in the table below (the table is only presented for the Group since the exchange rate exposure, at large, is the same for the Parent Company and the Group since the subsidiaries are treated on a look through basis where the subsidiaries' valuation and exposure is taken into consideration).

**EXCHANGE RATE EXPOSURE – INVESTMENT ASSETS**

GROUP	2013				2012			
	USD	EUR	GBP	Other	USD	EUR	GBP	Other
Shares and participations	3,937	29	–	–	3,526	37	–	–
Bonds and other interest-bearing securities	11,940	1,519	633	294	14,109	1,579	664	526
Other financial investment assets	1,282	164	18	315	1,309	86	32	291
Other assets and liabilities, net	2,141	159	7	128	2,304	230	–31	100
<b>TOTAL ASSETS</b>	<b>19,300</b>	<b>1,871</b>	<b>658</b>	<b>737</b>	21,248	1,932	665	917
Technical provisions, net	–9,379	–1,475	–264	–498	–10,401	–1,295	–243	–736
<b>TOTAL LIABILITIES AND PROVISIONS</b>	<b>–9,379</b>	<b>–1,475</b>	<b>–264</b>	<b>–498</b>	–10,401	–1,295	–243	–736
Net exposure before financial hedging with derivatives	9,921	396	394	239	10,847	637	422	181
Nominal value currency forwards	–3,860	–5	–	–	–3,945	44	–20	–
<b>NET EXPOSURE AFTER FINANCIAL HEDGING WITH DERIVATIVES</b>	<b>6,061</b>	<b>391</b>	<b>394</b>	<b>239</b>	6,902	681	402	181

In the table below, the effect on the company's shareholders' equity and income statement of two stress tests are shown: An unfavorable foreign exchange rate move of 25 basis points, in the respective foreign currencies towards SEK and an unfavorable change to fx rates by 10 percent in the respective foreign currencies towards SEK.

The analysis below assumes that the changes in exchange rates do not affect other risk parameters, such as interest rate. The sensitivity analysis takes into consideration existing financial hedges with currency related derivatives.

**SENSITIVITY ANALYSIS PER CURRENCY**

GROUP		USD	EUR	GBP	Other	TOTAL
2013	Change 25 basis points	236	11	9	–	256
	Change 10%	606	39	39	24	708
2012	Change 25 basis points	266	20	10	–	296
	Change 10%	690	68	40	18	816

## Note 2 – Cont.

### CREDIT RISK

Credit risk, or counterparty risk, refers to the risk that the company will not receive agreed payment and/or will make a loss due to the counterparty's inability to fulfill its obligations. A substantial portion of the credit risk to which the company is exposed, arises as a result of established reinsurance agreements.

#### Credit risk in investment assets

The credit risk in investment assets can be split into credit spread risk and counterparty risk.

#### Credit spread risk in investment assets

Credit spread risk results from the sensitivity of the value of fixed income assets to changes in the level or in the volatility of credits spreads over the risk-free term structure. Assets sensitive to changes in credit spreads may also give rise to other risks, e.g. counterparty default risk, which is not covered below. The tables below show the credit spread risk in accordance with the risk scenarios per the Traffic Light model as per December 31, 2013 and December 31, 2012.

#### INVESTMENT ASSETS, CREDIT SPREAD RISK ACCORDING TO THE TRAFFIC LIGHT MODEL RISK SCENARIOS

GROUP	EXPOSURE (MSEK)		AVERAGE CREDIT SPREAD		SCENARIO IMPACT		CAPITAL REQUIREMENTS (MSEK)	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets in SEK	1,248	791	0.71	1.04	-1.8%	-2.5%	22	20
Assets in EUR	982	1,304	1.14	1.24	-4.7%	-4.6%	46	61
Assets in USD and other currencies	9,810	9,557	1.04	1.13	-2.8%	-3.2%	275	304
<b>TOTAL</b>	<b>12,040</b>	<b>11,652</b>	<b>1.02</b>	<b>1.14</b>	<b>-2.9%</b>	<b>-3.3%</b>	<b>343</b>	<b>385</b>

PARENT COMPANY	EXPOSURE (MSEK)		AVERAGE CREDIT SPREAD		SCENARIO IMPACT		CAPITAL REQUIREMENTS (MSEK)	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets in SEK	366	791	0.64	1.04	-2.8%	-2.5%	10	20
Assets in EUR	958	1,304	1.14	1.24	-4.8%	-4.6%	45	61
Assets in USD and other currencies	2,297	4,284	1.22	1.22	-4.0%	-3.4%	92	147
<b>TOTAL</b>	<b>3,621</b>	<b>6,379</b>	<b>1.12</b>	<b>1.21</b>	<b>-4.1%</b>	<b>-3.6%</b>	<b>147</b>	<b>228</b>

#### Counterparty risk in investment assets

The company's policy is to allow only investments in securities with high credit quality and therefore the counterparty risk in investment assets is assessed to be relatively limited.

The table below shows the exposure of Sirius' investment assets divided per class of asset.

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Bonds and other interest-bearing assets	16,935	18,235	6,564	10,041
– Governments	4,365	6,763	2,925	4,004
– Swedish mortgage institutions	–	0	–	0
– Other Swedish issuers	466	791	366	791
– Other issuers	12,104	10,681	3,273	5,246
Shares in associated Companies	–	–	10,330	8,254
Shares and participations	4,097	3,567	399	549
Derivatives	273	326	273	326
<b>TOTAL</b>	<b>21,305</b>	<b>22,128</b>	<b>17,566</b>	<b>19,170</b>



Note 2 – Cont.

The table below lists the ten largest holdings. The table excludes government bonds and other similar interest-bearing securities but includes corporate bonds, shares and participations in associated companies.

**GROUP 2013**

Name of security	Type of security	Market value (MSEK)	% of financial assets
Symetra Financial Corporation	Share	1,373	6.27
OneBeacon Insurance Group	Share	746	3.40
Sirius International Financial Services	Loan note to Group company	475	2.17
Sirius International Financial Services	Currency	275	1.25
Total Capital Canada Ltd	Bond	260	1.18
Ironshore	Share	200	0.91
JP Morgan	Bond	199	0.91
Volkswagen Fin Serv. NV	Bond	177	0.81
BMW Finance NV	Bond	152	0.69
Porsche Innovative Lease	Bond		
<b>TOTAL</b>		<b>4,008</b>	<b>18.28</b>

**PARENT COMPANY 2013**

Name of security	Type of security	Market value (MSEK)	% of financial assets
WM Phoenix (Luxembourg) S.à r.l.	Shares in Subsidiary	6,158	33.95
S.I. Holdings (Luxembourg) S.à r.l.	Shares in Subsidiary	2,834	15.62
Sirius International Holdings (NL) B.V.	Shares in Subsidiary	1,311	7.23
Sirius International Financial Services	Currency derivative	275	1.51
Silver Arrow SA	Bond	133	0.73
Global Drive	Bond	67	0.37
ABN Amro Bank NV	Bond	61	0.34
Chase Issuance Trust	Bond	53	0.29
PPG Industries	Bond	52	0.29
Ingersoll-Rand Co Ltd	Bond	51	0.28
<b>TOTAL</b>		<b>10,995</b>	<b>60.61</b>



## Note 2 – Cont.

**GROUP 2012**

Name of security	Type of security	Market value (MSEK)	% of financial assets
Sirius International Financial Services	Loan note to Group company	966	4.4
Symetra Financial Corporation	Share	949	4.3
OneBeacon Insurance Group	Share	662	3.0
Prospector Offshore Fund	Share	346	1.6
Sirius International Financial Services	Currency Derivative	326	1.5
Total Capital Canada Ltd	Bond	264	1.2
Ironshore	Share	197	0.9
Rio Tinto Fin USA Ltd	Bond	178	0.8
Volkswagen Fin Serv. NV	Bond	178	0.8
Volkswagen Auto Loan Enh Trust	Bond	177	0.8
<b>TOTAL</b>		<b>4 243</b>	<b>19.3</b>

**PARENT COMPANY 2012**

Name of security	Type of security	Market value (MSEK)	% of financial assets
WM Phoenix (Luxembourg) S.à r.l.	Shares in Subsidiary	6,158	32.1
Sirius International Holdings (NL) B.V.	Shares in Subsidiary	1,369	7.1
White Sands Holdings (Luxembourg) S.à r.l.	Shares in Subsidiary	714	3.7
Prospector Offshore Fund	Share	346	1.8
Sirius International Financial Services	Currency derivative	326	1.7
Total Capital Canada Ltd	Bond	264	1.4
Volkswagen Fin Serv NV	Bond	178	0.9
BMW Finance NV	Bond	155	0.8
Electrolux AB	Bond	143	0.8
Citigroup Inc	Bond	134	0.7
<b>TOTAL</b>		<b>9,787</b>	<b>51.0</b>



Note 2 – Cont.

The tables below show fixed income investments and equity investments per geographical area and credit rating classes. Fixed income investments are

also presented per sector (the table is only presented for the Group since the distribution, at large, is the same for the Parent Company).

**CREDIT QUALITY ON CLASSES OF INVESTMENT ASSETS, %**

GROUP 2013	2013							2012						
	AAA	AA	A	BBB	CCC	Not rated	TOTAL	AAA	AA	A	BBB	CCC	Not rated	TOTAL
Bonds and other interest-bearing securities	29	23	18	29	1	1	100	27	28	18	27	-	-	100
– Swedish government	100	-	-	-	-	-	100	100	-	-	-	-	-	100
– Swedish mortgage institutions	100	-	-	-	-	-	100	-	-	-	-	-	-	-
– Other Swedish institutions	0	-	-	-	-	-	0	-	34	48	18	-	-	100
– Foreign governments	24	76	-	-	-	-	100	31	69	-	-	-	-	100
– Other foreign issuers	17	18	24	39	1	1	100	20	9	27	44	-	-	100

**EQUITY INVESTMENTS, DIVIDED BY GEOGRAPHICAL AREA, %**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Western Europe	2.15	2.95	10.50	15.85
North America	89.74	85.04	89.34	6.13
Other	8.11	12.01	0.16	78.02
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**INTEREST-BEARING INVESTMENTS, DIVIDED BY GEOGRAPHICAL AREA, %**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Western Europe	16.77	11.36	32.13	20.64
North America	69.22	71.00	35.89	47.40
Scandinavia	13.77	14.75	0.61	26.78
Other	0.24	2.89	31.37	5.18
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**INTEREST-BEARING INVESTMENTS, DIVIDED BY SECTOR, %**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Governments	26.52	37.09	44.57	39.88
Swedish mortgage institutions	2.83	0	5.58	0
Other Swedish issuers	0	4.34	0	7.88
Other foreign issuers	70.65	58.57	49.85	52.24
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Credit risk on receivables with reinsurers*

The credit risk resulting from reinsurance ceded by Sirius can be divided into two separate components; reinsurers' share of technical provisions as recorded on an ongoing basis under assets in the balance sheet, and the potential exposure that would emerge in the event of large claims to the insurance portfolio, which would occur for example, in the case of a severe European windstorm. An event such as this would trigger recoveries from major portions of Sirius' outwards reinsurance program.

Sirius' Security Committee is responsible for managing the risk of reinsurer insolvency. To mitigate this risk, the financial condition of our reinsurers is reviewed twice per year and periodically monitored.

The credit risk reserve for bad debts amounted, as per December 31, 2013, to MSEK 60 for the Group, whereof MSEK 30 at Sirius International (2012 MSEK 58 for the Group, MSEK 38 at Sirius International).

*Ageing balances*

Receivables regarding both direct insurance as well as assumed and ceded reinsurance are followed up on a semi annual basis. Outstanding receivables are analyzed on the basis of the length of time that has passed since the due date with the following distribution: Less than 1 month, 1–3 months, 3–6 months, 6–9 months, 9–12 months and over 1 year. These analyses comprise the basis for various collection activities, as does the supporting documentation regarding the assessment of the counterparty's credit risk status and any write-down requirements.

## Note 2 – Cont.

GROUP	Due for	<1 Month	1–3 Months	4–6 Months	7–9 Months	10–12 Months	>1 Year	TOTAL
2013	Net receivables	538	66	26	5	3	91	729
2012	Net receivables	556	79	36	8	8	132	819
PARENT COMPANY	Due for	<1 Month	1–3 Months	4–6 Months	7–9 Months	10–12 Months	>1 Year	TOTAL
2013	Net receivables	124	23	18	2	2	58	227
2012	Net receivables	276	34	11	5	3	62	391

In accordance with Sirius International's policy for write-downs of receivables outstanding for more than 1 year, there is a specific reserve for counterparties which are not classified as IDC companies (Insolvent and Doubtful Companies) which totals MSEK 6 (6) at December 31, 2013.

*Retrocession credit risk*

Reinsurers' share of technical provisions consists of outstanding claims including IBNR reserves, as well as a provision for unearned premiums and remaining risks. The credit rating distribution for this exposure is shown in the table below.

## RATING – STANDARD &amp; POOR'S OR EQUIVALENT

GROUP	2013				2012			
	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	392	0	392	14	162	0	162	3
AA+	0	0	0	0	75	0	75	1
AA	454	17	437	17	367	1	366	7
AA-	108	10	98	4	108	0	108	2
A+	308	0	308	11	290	0	290	5
A	159	7	152	6	214	1	213	4
A-	434	0	434	16	316	19	297	6
BBB+	149	0	149	5	101	0	101	2
BBB or lower	312	101	211	11	632	182	450	12
Special approval	425	75	350	16	355	115	240	6
Internal reinsurance	0	0	0	0	2,845	2,845	0	52
<b>TOTAL</b>	<b>2,741</b>	<b>210</b>	<b>2,531</b>	<b>100</b>	<b>5,466</b>	<b>3,164</b>	<b>2,302</b>	<b>100</b>

PARENT COMPANY	2013				2012			
	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	0	0	0	0	0	0	0	0
AA+	0	0	0	0	75	0	75	2
AA	238	9	230	13	156	0	156	3
AA-	108	10	98	6	108	0	108	2
A+	308	0	308	16	290	0	290	6
A	47	0	47	2	66	0	66	1
A-	497	0	497	26	403	19	384	9
BBB+	148	0	148	8	91	0	91	2
BBB or lower	133	0	133	7	113	10	103	3
Special approval	425	74	350	22	355	115	240	8
Internal reinsurance	0	0	0	0	2,845	2,845	0	63
<b>TOTAL</b>	<b>1,904</b>	<b>93</b>	<b>1,811</b>	<b>100</b>	<b>4,502</b>	<b>2,989</b>	<b>1,514</b>	<b>100</b>



Note 2 – Cont.

In October 2013 the collateralized reinsurance with White Mountains Life Re was transferred to another company in the White Mountains Group.

Except for the credit exposure above, reported as an asset in the balance sheet, significant credit losses can potentially arise from unusually large and infrequent events.

The table below describes the assumed liabilities from Retrocessionaires (excluding costs for reinstatements) and the distribution of credit ratings for Sirius' 2013 Retrocession Program. (The table represents the Parent Company since external reinsurance, at large, does not exist in other parts of the Group).

**STANDARD & POOR'S OR EQUIVALENT**

PARENT COMPANY	2013				2012			
	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AA+	0	0	0	0	0	0	0	0
AA	231	0	231	7	96	0	96	3
AA-	705	0	705	21	873	0	873	30
A+	1,364	0	1,364	41	825	0	825	28
A	72	0	72	2	103	0	103	4
A-	199	21	178	6	620	7	613	21
BBB+	83	8	75	2	53	3	50	2
BBB or lower	67	34	33	2	54	12	42	2
Special approval	630	124	506	19	284	77	207	10
<b>TOTAL</b>	<b>3,351</b>	<b>187</b>	<b>3,164</b>	<b>100</b>	<b>2,908</b>	<b>99</b>	<b>2,809</b>	<b>100</b>

**LIQUIDITY RISK**

Liquidity risk is the risk that the company will have difficulties fulfilling payment obligations, mainly those related to insurance liabilities. Liquidity risk can also be expressed as the risk of loss or impaired earning potential as a result of the company not being able to fulfill payment obligations in due time. Liquidity risks arise as assets and debts including derivatives instruments have different durations.

The company's strategy for dealing with liquidity risk aims to match expected payments and receipts of payment (so called asset-liability management, ALM). This is accomplished through advanced liquidity analysis of financial

assets and insurance liabilities. At the end of 2013 the duration of interest-bearing investment assets was 2.2 years (2.6 years at the end of 2012) and the duration of insurance liabilities was 4.5 years (4.2 years at the end of 2012). The liquidity is monitored continuously and stress tests are performed for different scenarios. The company's claims payment capabilities are further strengthened with its high portion of cash and bank deposits of the total investment assets.

The cash flow analysis also provides an illustration of the company's liquidity situation.

The tables below show a more detailed maturity profile for the Group and Parent Company in respect of both financial assets and debts.



## Note 2 – Cont.

## LIQUIDITY PROFILE – FINANCIAL ASSETS (CONTRACTUAL INFLOWS)

<b>GROUP 2013</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities (discounted amounts)	–	449	1,306	9,285	5,420	–	16,460
Shares & participations	–	–	–	–	–	4,097	4,097
Cash & bank balances	1,998	–	–	–	–	–	1,998
Receivables, direct insurance	–	–	85	–	–	20	105
Receivables, reinsurance	–	305	1,516	–	–	48	1,869
Other debtors	–	9	25	89	21	–	144
Prepayments and accrued income	–	–	186	2	–	–	188
<b>TOTAL</b>	<b>1,998</b>	<b>763</b>	<b>3,118</b>	<b>9,376</b>	<b>5,441</b>	<b>4,165</b>	<b>24,861</b>

<b>GROUP 2012</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities (discounted amounts)	–	746	762	9,781	6,946	–	18,235
Shares & participations	–	–	–	–	–	3,567	3,567
Cash & bank balances	1,951	–	–	–	–	–	1,951
Receivables, direct insurance	–	–	77	–	–	28	105
Receivables, reinsurance	311	45	1,589	50	1	–4	1,993
Other debtors	–	132	68	69	–	43	312
Prepayments and accrued income	–	–	208	2	–	–	210
<b>TOTAL</b>	<b>2,262</b>	<b>923</b>	<b>2,704</b>	<b>9,902</b>	<b>6,947</b>	<b>3,634</b>	<b>26,373</b>

## LIQUIDITY PROFILE – FINANCIAL ASSETS (CONTRACTUAL INFLOWS)

<b>PARENT COMPANY 2013</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities (discounted amounts)	–	86	577	4,221	1,680	–	6,564
Shares & participations in Group companies	–	–	–	–	–	10,330	10,330
Shares & participations	–	–	–	–	–	399	399
Cash & bank balances	1,105	–	–	–	–	–	1,105
Receivables, direct insurance	–	–	–	–	–	16	16
Receivables, reinsurance	–	–	1,430	–	–	–16	1,414
Other debtors	–	–	10	73	–	167	250
Prepayments and accrued income	–	–	117	2	–	–	119
<b>TOTAL</b>	<b>1,105</b>	<b>86</b>	<b>2,134</b>	<b>4,296</b>	<b>1,680</b>	<b>10,896</b>	<b>20,197</b>

<b>PARENT COMPANY 2012</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities (discounted amounts)	–	36	587	6,734	2,684	–	10,041
Shares & participations in Group companies	–	–	–	–	–	8,254	8,254
Shares & participations	–	–	–	–	–	549	549
Cash & bank balances	955	–	–	–	–	–	955
Receivables, direct insurance	–	–	–	–	–	28	28
Receivables, reinsurance	–	–	1,605	–	–	–23	1,582
Other debtors	77	–	56	69	–	–	202
Prepayments and accrued income	–	–	141	2	–	–	143
<b>TOTAL</b>	<b>1,032</b>	<b>36</b>	<b>2,389</b>	<b>6,805</b>	<b>2,684</b>	<b>8,808</b>	<b>21,754</b>



## Note 2 – Cont.

**LIQUIDITY PROFILE – FINANCIAL DEBTS (CONTRACTUAL OUTFLOWS)**

<b>GROUP 2013</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	56	–	–	3	59
Payables, reinsurance	–	–	196	–	–	114	310
Other creditors	–	–	177	–	11	–	188
Accrued expenses and deferred income	–	1	257	100	19	1	378
<b>TOTAL</b>	<b>–</b>	<b>1</b>	<b>686</b>	<b>100</b>	<b>30</b>	<b>118</b>	<b>935</b>

<b>GROUP 2012</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	41	–	–	7	48
Payables, reinsurance	–	–	189	–	–	393	582
Other creditors	–26	–	1,426	–	–	–	1,400
Accrued expenses and deferred income	–	110	101	90	19	1	321
<b>TOTAL</b>	<b>–26</b>	<b>110</b>	<b>1,757</b>	<b>90</b>	<b>19</b>	<b>401</b>	<b>2,351</b>

<b>PARENT COMPANY 2013</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	–	–	–	2	2
Payables, reinsurance	–	–	236	–	–	114	350
Other creditors	–	–	101	–	–	32	133
Accrued expenses and deferred income	–	–	170	57	–	2	229
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>507</b>	<b>57</b>	<b>–</b>	<b>150</b>	<b>714</b>

<b>PARENT COMPANY 2012</b>	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	–	–	–	1	1
Payables, reinsurance	–	–	337	–	–	393	730
Other creditors	–	–	1,325	–	–	–	1,325
Accrued expenses and deferred income	–	104	35	45	–	1	185
<b>TOTAL</b>	<b>–</b>	<b>104</b>	<b>1,697</b>	<b>45</b>	<b>–</b>	<b>395</b>	<b>2,241</b>

**LIQUIDITY PROFILE – TECHNICAL PROVISIONS**

Estimated claim payments, net, excluding ULAE

	<b>GROUP</b>					<b>PARENT COMPANY</b>				
	<3 months	3 months – 1 year	1–5 year	>5 year	TOTAL	<3 months	3 months – 1 year	1–5 year	>5 year	TOTAL
<b>2013</b>	791	2,397	4,429	3,466	11,083	418	1,276	2,081	1,122	4,897
<b>2012</b>	1,038	3,144	4,658	3,469	12,309	552	1,684	2,219	907	5,362

## Note 2 – Cont.

### OPERATIONAL RISK MANAGEMENT

Sirius has defined operational risks as “The risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events. Operational risk includes legal risk and excludes risks arising from strategic decisions, as well as reputation risks”.

All employees within Sirius are responsible for the contribution to a well functioning process for operational risk management and shall see themselves as risk managers. The function for Risk Control is responsible for developing and improving the operational risk management methodology and thereby supporting the organization and the process owners with the tools needed to manage these risks.

Operational risks within Sirius are identified through reviews and the reporting of incidents. Operational risks are also identified and managed by defining controls within the processes and through follow up and testing of the effectiveness of the key controls.

Sirius always aims at reducing the operational risks to acceptable levels.

### COMPLIANCE RISK MANAGEMENT

Compliance risk is “the risk of legal or regulatory sanctions, material financial loss or loss to reputation that Sirius may suffer as a result of not complying with laws, internal or external regulations and administrative provisions as applicable to Sirius activities.”

The responsibility for Sirius’ compliance with internal and external regulation lies with all employees. Compliance risks are identified by all employees on an ad hoc basis and more formally through the reviews. The Compliance function supports the organization and processes by informing, advising, and monitoring compliance issues throughout the Group.

### SOLVENCY II

Sirius is preparing for compliance with the upcoming Solvency II regulation. The company has a project in place with several defined subprojects. The subprojects are covering all three Pillars. The project has a dedicated Project Manager and the company’s Group Chief Financial Officer (Group CFO) is the chairman of the Steering Group and the sponsor of the project.

Solvency II is discussed regularly at Board of Directors (Board) meetings. The Group CFO reports to the Board on Solvency II matters, thus ensuring the Board’s involvement and oversight over the Solvency II project.

### SOLVENCY AND CAPITAL REQUIREMENTS

Sirius has continued to develop its internal Economic Risk Capital (ERC) model. The objectives for the internal ERC model are:

- Stochastically calculate capital needed to be economically solvent over a one year period within specified probability level
- Consolidate quantifiable risks into one model
- Produce a realistic distribution of financial outcomes at various return periods
- Allocate capital to key risks, business units and lines of business
- Produce a streamlined and inclusive view of interdependencies of these risks

The practical applications of the internal ERC model include the following:

- Assess the amount of capital necessary to support the underwriting and investment operations over the course of a one-year period
- Allocate deployed capital in the organization to key underwriting risk areas in order to establish appropriate risk-adjusted pricing targets
- Monitor the risk according to the risk tolerance levels established by the Board of Directors
- Measurement of key risks and their interaction
- Evaluate reinsurance purchases

Furthermore, the company uses the internal ERC model for stress testing and scenario analysis and it compares results from the internal ERC model with the Solvency II Standard Formula SCR. Sirius aims at maintaining a capital base corresponding to not less than an A-rating level as defined by the rating agencies.

Sirius has during 2013 continued with the Internal Model pre-application review process with the Swedish FSA. By participating in this pre-application review process, the company will be well prepared before the final application shall be submitted. The ultimate goal is to gain approval to use the company’s Internal Economic Risk Capital Model for the calculations of the solvency capital requirements under Solvency II.

As a predecessor to Solvency II, the Swedish FSA has established a local solvency regulation, the Traffic Light system. It takes into account the company’s risks in the areas financial risks, insurance risk and operating expense risk. The model results in a total capital net requirement which is compared to solvency capital (the so called “capital buffer”) in order to assess the company’s capital strength. The model is presented on a solo company basis with holdings in subsidiaries modeled with an equity risk charge of 35%. The table below shows the result in accordance with the Traffic Light model as per December 31, 2013 and 2012.

### TOTAL CAPITAL REQUIREMENT ACCORDING TO THE TRAFFIC LIGHT MODEL

	2013	2012
Total capital net requirement	3,256	4,065
Capital buffer	14,889	14,973
<b>SURPLUS</b>	<b>11,633</b>	<b>10,908</b>

### FINANCIAL STRENGTH RATING

The financial strength of Sirius has during 2013 been rated by Standard & Poor’s and A. M. Best.

GROUP AND PARENT COMPANY	2013			2012		
	S&P <sup>1)</sup>	A.M. Best <sup>2)</sup>	Moody’s <sup>3)</sup>	S&P <sup>1)</sup>	A.M. Best <sup>2)</sup>	Moody’s <sup>3)</sup>
Financial Strength Rating	A-	A	n/a	A-	A	A3
Outlook	Stable	Stable	n/a	Stable	Stable	Stable

<sup>1)</sup> “A-” is the seventh highest of twenty-one financial strength ratings assigned by Standard & Poor’s.

<sup>2)</sup> “A” is the third highest of fifteen financial strength ratings assigned by A.M. Best.

<sup>3)</sup> “A3” is the seventh highest of twenty-one financial strength ratings assigned by Moody’s.

### Note 3 – Premium income

#### PREMIUM INCOME, GEOGRAPHICAL ALLOCATION

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Direct insurance, Sweden	5	4	4	3
Direct insurance, other EES	355	339	170	221
Direct insurance, other countries	925	915	625	736
Premiums for assumed reinsurance	6,160	6,823	4,374	4,819
<b>Premium income before ceded reinsurance</b>	<b>7,445</b>	<b>8,081</b>	<b>5,173</b>	<b>5,779</b>
Premium for ceded reinsurance	-1,716	-1,777	-1,750	-1,765
<b>PREMIUM INCOME AFTER CEDED REINSURANCE</b>	<b>5,729</b>	<b>6,304</b>	<b>3,423</b>	<b>4,014</b>

### Note 4 – Claims incurred, for own account

#### CLAIMS INCURRED FOR THE YEAR'S OPERATIONS

GROUP	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-486	150	-336	-474	64	-410
Loss portfolios	35	0	35	41	0	41
Change in provision for incurred and reported claims	-1,366	522	-844	-695	117	-578
Change in provision for incurred but not reported claims (IBNR)	-970	164	-806	-1,729	177	-1,552
Claims handling expenses	-183	0	-183	-176	0	-176
<b>TOTAL CLAIMS INCURRED FOR THE YEAR'S OPERATIONS</b>	<b>-2,970</b>	<b>836</b>	<b>-2,134</b>	<b>-3,033</b>	<b>358</b>	<b>-2,675</b>

#### CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS

GROUP	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-4,258	681	-3 577	-4,341	699	-3,642
Loss portfolios	-43	30	-13	-311	0	-311
Change in provision for incurred and reported claims	1,468	-432	1 036	1,127	-191	936
Change in provision for incurred but not reported claims (IBNR)	4,709	2 769	1 940	3,970	-1,970	2,000
<b>TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS</b>	<b>1 876</b>	<b>-2 490</b>	<b>-614</b>	<b>445</b>	<b>-1,462</b>	<b>-1,017</b>
<b>TOTAL CLAIMS INCURRED</b>	<b>-1 094</b>	<b>-1 654</b>	<b>-2 748</b>	<b>-2,588</b>	<b>-1,104</b>	<b>-3,692</b>

#### TOTAL CLAIMS PAID

GROUP	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-4,744	831	-3,913	-4,815	763	-4,052
Loss portfolios	-8	30	22	-270	0	-270
Claims handling expenses	-183	0	-183	-176	0	-176
<b>TOTAL CLAIMS PAID</b>	<b>-4,935</b>	<b>861</b>	<b>-4,074</b>	<b>-5,261</b>	<b>763</b>	<b>-4,498</b>

## Note 4 – Cont.

**CHANGE IN PROVISION FOR OUTSTANDING CLAIMS**

GROUP	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	102	90	192	432	-74	358
Change in provision for incurred but not reported claims (IBNR)	3,739	-2,605	1,134	2,241	-1,793	448
<b>TOTAL CHANGE IN PROVISIONS FOR OUTSTANDING CLAIMS</b>	<b>3,841</b>	<b>-2,515</b>	<b>1,326</b>	<b>2,673</b>	<b>-1,867</b>	<b>806</b>

**CLAIMS INCURRED FOR THE YEAR'S OPERATIONS**

PARENT COMPANY	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-366	147	-219	-362	66	-296
Loss portfolios	35	0	35	40	0	40
Change in provision for incurred and reported claims	-1,246	522	-724	-549	122	-427
Change in provision for incurred but not reported claims (IBNR)	-544	144	-400	-991	170	-821
Claims handling expenses	-141	0	-141	-128	0	-128
<b>TOTAL CLAIMS FOR THE YEAR'S OPERATIONS</b>	<b>-2,262</b>	<b>813</b>	<b>-1,449</b>	<b>-1,990</b>	<b>358</b>	<b>-1,632</b>

**CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS**

PARENT COMPANY	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-2,201	550	-1,651	-2,497	618	-1,879
Loss portfolios	-43	31	-12	-311	0	-311
Change in provision for incurred and reported claims	1,002	-292	710	679	-131	548
Change in provision for incurred but not reported claims (IBNR)	3,460	-2,681	779	3,028	-1,880	1,148
<b>TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS</b>	<b>2,218</b>	<b>-2,392</b>	<b>-174</b>	<b>899</b>	<b>-1,393</b>	<b>-494</b>
<b>TOTAL CLAIMS INCURRED</b>	<b>-44</b>	<b>-1,579</b>	<b>-1,623</b>	<b>-1,091</b>	<b>-1,035</b>	<b>-2,126</b>

**TOTAL CLAIMS PAID**

PARENT COMPANY	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-2,567	697	-1,870	-2,859	684	-2,175
Loss portfolios	-8	31	23	-271	0	-271
Claims handling expenses	-141	0	-141	-128	0	-128
<b>TOTAL CLAIMS PAID</b>	<b>-2,716</b>	<b>728</b>	<b>-1,988</b>	<b>-3,258</b>	<b>684</b>	<b>-2,574</b>

**CHANGE IN PROVISION FOR OUTSTANDING CLAIMS**

PARENT COMPANY	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	-244	230	-14	130	-9	121
Change in provision for incurred but not reported claims (IBNR)	2,916	-2,537	379	2,037	-1,710	327
<b>TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS</b>	<b>2,672</b>	<b>-2,307</b>	<b>365</b>	<b>2,167</b>	<b>-1,719</b>	<b>448</b>

## Note 5 – Operating costs

### SPECIFICATION OF INCOME STATEMENT ITEM OPERATING COSTS

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Acquisition costs	-1,538	-1,615	-952	-1,045
Change in prepaid acquisition costs (+/-)	12	-6	-21	-58
Administrative expenses	-887	-783	-541	-517
Provisions and profit shares in ceded reinsurance (-)	436	402	428	400
<b>TOTAL OPERATING COSTS</b>	<b>-1,977</b>	<b>-2,002</b>	<b>-1,086</b>	<b>-1,220</b>

### OTHER OPERATING COSTS

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Operating costs	-1,977	-2,002	-1,086	-1,220
Claims handling expenses included in claims paid	-183	-192	-140	-144
Asset management costs included in Investment expenses	-86	-79	-43	-44
Expenses for land and buildings included in Investment expenses, net	-2	-2	-2	-2
Other operating costs	-43	-89	-2	-1
<b>TOTAL OTHER OPERATING COSTS</b>	<b>-2,292</b>	<b>-2,364</b>	<b>-1,273</b>	<b>-1,411</b>

### TOTAL OPERATING COSTS PER TYPE

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Direct and indirect personnel costs	-752	-691	-492	-432
Premises costs	-67	-68	-44	-44
Depreciation/amortization	-59	-52	-56	-49
Other expenses related to operations	-1,413	-1,553	-681	-886
<b>TOTAL OTHER OPERATING COSTS</b>	<b>-2,292</b>	<b>-2,364</b>	<b>-1,273</b>	<b>-1,411</b>



## Note 6 – Investment income

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>Dividend income from:</b>				
Foreign shares and participations	88	80	1,667	-
<b>Interest income</b>				
Bonds and other interest-bearing securities	344	455	154	248
Other interest income	64	59	19	16
- of which from financial assets not valued at fair value with changes in value reported in the income statement	-	-	-	-
<b>Capital gains on foreign exchange, net</b>	-	-	-	-
<b>Capital gains and reversed write-downs (net)</b>				
Foreign shares	264	-	130	-
Group and associated companies	99	199	-	101
Interest-bearing securities	119	254	114	102
Derivatives	148	-	148	-
<b>TOTAL RETURN ON CAPITAL, INCOME</b>	<b>1,126</b>	<b>1,047</b>	<b>2,232</b>	<b>467</b>

In the group accounts, gains from acquisition of subsidiaries have been realized and accounted in accordance with IFRS 3.

## Note 7 – Unrealized gains and losses on investments

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Foreign shares and participations	614	334	-52	70
Bonds and other interest-bearing securities	-128	25	-	-
Derivative financial instruments	-53	293	-53	293
Gain on Currency	149	-	170	-
<b>TOTAL UNREALIZED GAINS AND LOSSES ON INVESTMENTS</b>	<b>582</b>	<b>652</b>	<b>65</b>	<b>363</b>

## Note 8 – Investment expenses and charges

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>Operating expenses for land and buildings</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
<b>Asset management costs</b>	<b>-86</b>	<b>-79</b>	<b>-43</b>	<b>-44</b>
<b>Interest expenses</b>				
Other interest expenses	-2	-3	-2	-3
<b>Capital losses on foreign exchange, net</b>	<b>-165</b>	<b>-211</b>	<b>-165</b>	<b>-212</b>
<b>Capital losses</b>				
Foreign shares and participations	-	-71	-	-138
Group and associated companies	-	-	-701	-20
Derivatives	-	-2	-	-2
<b>TOTAL</b>	<b>-255</b>	<b>-368</b>	<b>-913</b>	<b>-421</b>



## Note 9 – Net profit or net loss per category of financial instruments

<b>FINANCIAL ASSETS</b>					
<b>GROUP 2013</b>	Financial assets valued at fair value in the income statement	Financial assets held for trading	Available-for-sale financial instruments	Loan receivables and other accounts receivables	TOTAL
Shares and participations	685	–	–	–	685
Derivative financial instruments	–	148	–	–	148
Bonds and other interest-bearing securities	107	–	92	–	199
Deposits with cedants	–	–	–	12	12
Cash and bank balance	–	–	–	17	17
<b>TOTAL</b>	<b>792</b>	<b>148</b>	<b>92</b>	<b>29</b>	<b>1,061</b>
<b>PARENT COMPANY 2013</b>	Financial assets valued at fair value in the income statement	Financial assets held for trading	Available-for-sale financial instruments	Loan receivables and other accounts receivables	TOTAL
Shares and participations	1,745	–	–	–	1,745
Derivative financial instruments	–	148	–	–	148
Bonds and other interest-bearing securities	–	–	92	–	92
Deposits with cedants	–	–	–	11	11
Cash and bank balance	–	–	–	8	8
<b>TOTAL</b>	<b>1,745</b>	<b>148</b>	<b>92</b>	<b>19</b>	<b>2,004</b>
<b>GROUP 2012</b>	Financial assets valued at fair value in the income statement	Financial assets held for trading	Available-for-sale financial instruments	Loan receivables and other accounts receivables	TOTAL
Shares and participations	541	–	–	–	541
Derivative financial instruments	–	291	–	–	291
Bonds and other interest-bearing securities	383	–	492	–	875
Deposits with cedants	–	–	–	13	13
Cash and bank balance	–	–	–	13	13
<b>TOTAL</b>	<b>924</b>	<b>291</b>	<b>492</b>	<b>26</b>	<b>1,733</b>
<b>PARENT COMPANY 2012</b>	Financial assets valued at fair value in the income statement	Financial assets held for trading	Available-for-sale financial instruments	Loan receivables and other accounts receivables	TOTAL
Shares and participations	13	–	–	–	13
Derivative financial instruments	–	291	–	–	291
Bonds and other interest-bearing securities	–	–	448	–	448
Deposits with cedants	–	–	–	13	13
Cash and bank balance	–	–	–	3	3
<b>TOTAL</b>	<b>13</b>	<b>291</b>	<b>448</b>	<b>16</b>	<b>768</b>

The amounts in the table above constitute a specification of the amounts regarding financial instruments which are reported in the income statement as (i) return on capital, income, (ii) unrealized gains, (iii) return on capital, expenses, (iv) unrealized losses, with exception for (a) potential amortization and write-downs, (b) asset management costs and (c) exchange rate gains/losses.

Currency exchange gains amount to 83 (80) for the Group, of which 168 (-97) refer to exchange rate losses on financial assets. Exchange rate losses on liabilities and other assets amount to 85 (177).

## Note 10 – Taxes

### INCOME TAX RECOGNIZED IN INCOME STATEMENT

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Current tax expenses	-79	-206	-97	-202
Current tax adjustment attributable to previous years	-9	26	1	-2
Deferred taxes	-316	1,167	22	-102
<b>TOTAL TAX EXPENSE (-)/REVENUE (+)</b>	<b>-404</b>	<b>987</b>	<b>-74</b>	<b>-306</b>

### RECONCILIATION OF EFFECTIVE TAX

Reconciliation of effective income tax rate for the Group and Parent Company to the Swedish income tax rate:

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Tax according to applicable tax rate for the Parent Company	-22%	-26.3%	-22%	-26.3%
Effects of foreign tax rates	-2.5%	-1.2%	-	-
Effects from change in tax rates	-0.1%	23.0%	-	0.4%
Tax effect from non-deductible expenses	-7.2%	-1.4%	-12.1%	-1.1%
Tax effect from non-taxable income	13.7%	7.1%	27.9%	2.2%
Current tax regarding previous years	-0.2%	-1.6%	-	-0.2%
Recognition of tax loss carry-forwards related to previous years and timing differences	1.2%	54.0%	0.7%	0.3%
<b>REPORTED EFFECTIVE TAX</b>	<b>-17.1%</b>	<b>53.6%</b>	<b>-5.5%</b>	<b>-24.7%</b>

On November 21, 2012 the Swedish Parliament decided to reduce the corporate tax rate from 26.3 percent to 22 percent applicable from January 1, 2013. The new tax rate has affected the calculation of deferred tax assets and liabilities on December 31, 2012.

### REPORTED DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

GROUP	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
	2013	2012	2013	2012	2013	2012
Personnel-related provisions	53	39	-	-	53	39
Timing difference on recognition of underwriting result	211	266	-	-	211	266
Other provisions	10	9	-57	-57	-47	-48
Surplus value of securities	-	-	-199	-233	-199	-233
Safety reserve and accelerated depreciation	4	3	-2,306	-2,132	-2,302	-2,129
Tax loss carry-forwards	2,268	2,351	-	-	2,268	2,351
<b>DEFERRED TAX BALANCES</b>	<b>2,546</b>	<b>2,668</b>	<b>-2,562</b>	<b>-2,422</b>	<b>-16</b>	<b>246</b>
Netting of deferred assets/liabilities	-222	-	222	-	-	-
<b>DEFERRED TAX BALANCES, NET</b>	<b>2,324</b>	<b>2,668</b>	<b>2,340</b>	<b>-2,422</b>	<b>-16</b>	<b>246</b>

Deferred tax assets are only recognized to the extent that realization of the related tax benefit through future taxable profits is probable. Significant tax loss carry-forwards are related to countries with long or indefinite periods of utilization, mainly the US and Luxembourg. The most part of the deferred tax assets and liabilities will not be recognized within 12 months.

PARENT COMPANY	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
	2013	2012	2013	2012	2013	2012
Personnel-related provisions	26	12	-	-	26	12
Other provisions	8	8	-	-	8	8
Surplus value of securities	-	-	-47	-98	-47	-98
<b>DEFERRED TAX BALANCES</b>	<b>34</b>	<b>20</b>	<b>-47</b>	<b>-98</b>	<b>-13</b>	<b>-78</b>

## Note 10 – Cont.

**UNRECOGNIZED DEFERRED TAX ASSETS**

The Group has unrecognized deferred tax assets related to tax loss carry-forwards 360 (359).

**CHANGES IN DEFERRED TAX**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Opening balance	246	-1,587	-78	35
Acquisition of subsidiaries	6	656	-	-
Recognized in income statement	-316	1,167	22	-102
Recognized in other comprehensive income	48	-11	43	-11
Tax loss carry-forwards	-	21	-	-
<b>CLOSING BALANCE</b>	<b>-16</b>	<b>246</b>	<b>-13</b>	<b>-78</b>

Taxes recognized in other comprehensive income mainly refer to available-for-sale financial assets 44 (-11).

## Note 11 – Intangible assets

	GROUP				PARENT COMPANY		
	Intangible assets – IT Capitalized expenditure for development work	Acquired intangible assets – Goodwill	Other acquired intangible assets	TOTAL	Intangible assets – IT Capitalized expenditure for development work	Acquired intangible assets Goodwill	TOTAL
<i>Accumulated acquisition value</i>							
Opening balance January 1, 2012	131	620	2	754	131	460	591
Acquisitions for the year	37	-	67	104	37	-	37
Impairment for the year	-	-5	-	-5	-	-	-
Reclassification of goodwill	-	-43	-	-43	-	-	-
Currency revaluation effects	0	-	-	0	-	-	-
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>168</b>	<b>572</b>	<b>69</b>	<b>810</b>	<b>168</b>	<b>460</b>	<b>628</b>
Opening balance January 1, 2013	168	572	69	810	168	460	628
Acquisition for the year	41	-	34	75	41	-	41
Currency revaluation effects	-	-	-1	-	-	-	-
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>209</b>	<b>572</b>	<b>102</b>	<b>883</b>	<b>209</b>	<b>460</b>	<b>669</b>
<i>Accumulated amortization and impairment</i>							
Opening balance January 1, 2012	-86	-324	-	-410	-86	-257	-343
Depreciation for the year	-28	-	-	-28	-28	-4	-32
Reclassification of goodwill	-	43	-	43	-	-	-
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>-114</b>	<b>-281</b>	<b>-</b>	<b>-395</b>	<b>-114</b>	<b>-261</b>	<b>-375</b>
Opening balance January 1, 2013	-114	-281	-	-395	-114	-261	-375
Depreciation for the year	-32	-	-	-32	-32	-28	-60
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>-146</b>	<b>-281</b>	<b>-</b>	<b>-427</b>	<b>-146</b>	<b>-289</b>	<b>-435</b>
<b>Carrying amount</b>							
Per January 1, 2012	45	296	2	343	45	203	248
<b>PER DECEMBER 31, 2012</b>	<b>54</b>	<b>291</b>	<b>69</b>	<b>415</b>	<b>54</b>	<b>199</b>	<b>253</b>
Per January 1, 2013	54	291	69	415	54	199	253
<b>PER DECEMBER 31, 2013</b>	<b>63</b>	<b>291</b>	<b>102</b>	<b>456</b>	<b>63</b>	<b>170</b>	<b>233</b>

## Note 11 – Cont.

	GROUP				PARENT COMPANY		
	Intangible assets – IT Capitalized expenditure for development work	Acquired intangible assets – Goodwill	Other acquired intangible assets	TOTAL	Intangible assets – IT Capitalized expenditure for development work	Acquired intangible assets Goodwill	TOTAL
<i>Amortization and impairment for the year is included in the following rows of the income statement for 2012:</i>							
Operating costs	-28	-5	-	-33	-28	-	-28
Other costs	-	-	-	-	-	-4	-4
<b>TOTAL</b>	<b>-28</b>	<b>-5</b>	<b>-</b>	<b>-33</b>	<b>-28</b>	<b>-4</b>	<b>-32</b>
<i>Amortization for the year is included in the following rows of the income statement for 2013:</i>							
Operating costs	-32	-	-	-32	-32	-	-32
Other costs	-	-	-	-	-	-28	-28
<b>TOTAL</b>	<b>-32</b>	<b>-</b>	<b>-</b>	<b>-32</b>	<b>-32</b>	<b>-28</b>	<b>-60</b>

The Group and Parent Company goodwill derive from the acquired operation in Belgium, which is an identifiable cash generating unit. The amounts refer both to acquisition- and asset deal goodwill and are annually tested for impairment. The projected future cash flows have been discounted to present value and are based on a conservative assessment without any growth of the unit's earnings, based on historical and future earning patterns. The discount rate has been determined based on a market rate of return, i.e. WACC. The forecasted profit margin is currently equal to a combined ratio of approximately 95%.

IT-related intangible assets include acquired licenses and capitalized expenses for development of business-critical systems. Other intangible assets mainly

include insurance licenses, for a number of American states, identified at the acquisition of subsidiaries. The licenses have been valued at fair value by an independent advisory firm and are deemed to have an indefinite useful life and are tested annually for impairment.

For the group, no depreciation is made on goodwill, the MSEK 281 is accumulated depreciations up to January 1, 2009 when IFRS was adopted. The write-down for year 2012 of MSEK 5 is a write-down of goodwill for the holding in Passage2Health Ltd. For further information regarding depreciation, see Note 1, Accounting principles.

## Note 12 – Land and buildings

## GROUP AND PARENT COMPANY

<i>Accumulated acquisition cost</i>	
Opening balance January 1, 2012	27
Acquisitions	3
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>30</b>
Opening balance January 1, 2013	30
Acquisitions	1
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>31</b>
<i>Accumulated depreciation</i>	
Opening balance January 1, 2012	-16
Depreciation for the year	-1
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>-17</b>
Opening balance January 1, 2013	-17
Depreciation for the year	-1
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>-18</b>
Carrying amount	
Per January 1, 2012	11
<b>PER DECEMBER 31, 2012</b>	<b>13</b>
Per January 1, 2013	13
<b>PER DECEMBER 31, 2013</b>	<b>13</b>

The Parent Company holds three properties, located in Sweden and Belgium. wSirius International accounts for the properties, including building supplies, according to the acquisition value method and the capitalized expenses are depreciated over 50 and 10 years, respectively. No depreciation is performed on land.

## Note 13 – Shares and participations in group companies

NAME OF SUBSIDIARY	REGISTERED OFFICES, COUNTRY	PARTICIPATING INTEREST, %	
		2013	2012
Passage2Health Ltd.	London, Great Britain	100	75
Sirius Rückversicherungs Service GmbH	Hamburg, Germany	100	100
Sirius Belgium Réassurances S.A.	Liège, Belgium	100	100
Sirius International Holdings (NL) B.V.	Amsterdam, The Netherlands	100	100
S.I. Holdings (Luxembourg) S.à r.l.	Luxembourg	100	-
Sirius International Managing Agency Ltd.	London, Great Britain	100	-
WM Phoenix (Luxembourg) S.à r.l.	Luxembourg	100	100
White Mountains Re Sirius Capital Ltd.	London, Great Britain	100	100
White Sands Holdings (Luxembourg) S.à r.l.	Luxembourg	100	100
		PARENT COMPANY	
		2013	2012
<i>Accumulated acquisition cost</i>			
Beginning of year		8,870	8,098
Acquisitions		701	-
Liquidations		-	-185
Capital contributions		2,134	959
Repayment of paid-up capital		-58	-2
<b>End of year</b>		<b>11,647</b>	<b>8,870</b>
<i>Accumulated impairments</i>			
Beginning of year		-616	-781
Liquidations		-	185
Impairment for the year		-701	-20
<b>End of year</b>		<b>-1,317</b>	<b>-616</b>
<b>CARRYING AMOUNT DECEMBER 31</b>		<b>10,330</b>	<b>8,254</b>

Write down of shares in subsidiaries is related to the holdings in White Sands Holdings (Luxembourg) S.à r.l. and of Passage2Health Ltd. which has been written down with MSEK 699 and MSEK 2, respectively.

## Note 13 – Cont.

## SUBSIDIARIES' SHAREHOLDERS' EQUITY

2013	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
<b>Name of subsidiary</b>					
Passage2Health Ltd.	0	100	Share capital total £6,800 consisting of 6,800 shares with nom. value £1 per share	0	-6
Sirius Rückversicherungs Service GmbH	22	100	Share capital total €51,129 consisting of 1 share with nom. value €51,129	1	4
Sirius Belgium Réassurances S.A.	12	100	Share capital total €1,245,681 consisting of 700,000 shares without nom. value	13	0
Sirius International Holdings (NL) B.V.	1,591	100	Share capital total €18,000 consisting of 180 shares with nom. value €100 per share	1,311	414
S.l. Holdings (Luxembourg) S.à r.l.	2,827	100	Share capital total SEK 105,693,172 consisting of 105,693,172 shares with nom. value SEK1	2,833	97
Sirius International Managing Agency Ltd.	0	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	-
White Mountains Re Sirius Capital Ltd.	-83	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	-47
WM Phoenix (Luxembourg) S.à r.l.	5,886	100	Share capital total \$42,266,200 consisting of 1,690,648 shares with nom. value \$25 per share	6,158	541
White Sands Holdings (Luxembourg) S.à r.l.	17	100	Share capital total SEK 145,055 consisting of 145,055 shares with nom. value SEK1	14	698
<b>TOTAL</b>	<b>10,272</b>			<b>10,330</b>	<b>1,701</b>

2012	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
<b>Name of subsidiary</b>					
Passage2Health Ltd.	6	75	Share capital total £6,800 consisting of 6,800 shares with nom. value £1 per share	0	-10
Sirius Rückversicherungs Service GmbH	23	100	Share capital total €51,129 consisting of 1 share with nom. value €51,129	1	4
Sirius Belgium Réassurances S.A.	11	100	Share capital total €1,245,681 consisting of 700,000 shares without nom. value	13	0
Sirius International Holdings (NL) B.V.	1,306	100	Share capital total €18,000 consisting of 180 shares with nom. value €100 per share	1,369	119
White Mountains Re Sirius Capital Ltd.	36	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	36
WM Phoenix (Luxembourg) S.à r.l.	6,281	100	Share capital total \$42,266,200 consisting of 1,690,648 shares with nom. value \$25 per share	6,158	347
White Sands Holdings (Luxembourg) S.à r.l.	2	100	Share capital total SEK 145,055 consisting of 145,055 shares with nom. value SEK1	714	-1
<b>TOTAL</b>	<b>7,665</b>			<b>8,254</b>	<b>495</b>

## Note 14 – Investments in shares and participations

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Fair value	4,097	3,567	399	549
Acquisition cost	3,441	3,527	496	613

Further information on financial instruments can be found in Note 18.



## Note 15 – Bonds and other interest-bearing securities

GROUP	FAIR VALUE		ACQUISITION COST	
	2013	2012	2013	2012
Swedish government	1,801	1,175	1,799	1,148
Swedish mortgage institutions	466	0	471	0
Other Swedish issuers	0	791	0	764
Foreign governments	2,565	5,588	2,618	5,541
Other foreign issuers	11,628	10,681	11,601	10,345
<b>TOTAL</b>	<b>16,460</b>	<b>18,235</b>	<b>16,489</b>	<b>17,798</b>
<i>Of which listed</i>	<i>16,397</i>	<i>18,235</i>	<i>16,426</i>	<i>17,798</i>
<b>Difference compared to nominal value</b>				
Total excess amount	666	1,154	663	812
Total shortfall	38	24	29	3

PARENT COMPANY	FAIR VALUE		ACQUISITION COST	
	2013	2012	2013	2012
Swedish government	1,693	1,175	1,691	1,148
Swedish mortgage institutions	366	0	369	0
Other Swedish issuers	0	791	0	764
Foreign governments	1,232	2,829	1,277	2,803
Other foreign issuers	3,273	5,246	3,280	5,078
<b>TOTAL</b>	<b>6,564</b>	<b>10,041</b>	<b>6,617</b>	<b>9,793</b>
<i>Of which listed</i>	<i>6,564</i>	<i>10,041</i>	<i>9,793</i>	<i>9,793</i>
<b>Difference compared to nominal value</b>				
Total excess amount	337	640	277	398
Total shortfall	19	6	14	1

## Note 16 – Derivative financial instruments

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Currency derivatives, Sirius International Financial Services Ltd.	275	326	275	326
Other derivatives, Endurance	-2	-	-2	-
<b>TOTAL</b>	<b>273</b>	<b>326</b>	<b>273</b>	<b>326</b>

The table above show gross positions with individual counterparties in excess of MSEK 0,5.

Currency derivatives of nominal MUSD 600 against SEK mainly concern contracts with internal counterparties. The company has entered into three internal currency hedging agreements with Sirius International Financial Services LTD, in order to adjust the company's currency exposure against USD in accordance with established limits.

Trough foreign exchange options, the currency futures transactions are settled on the basis of an exchange rate cap and exchange rate floor (average rate 5.11 SEK/USD and 11.44 SEK/USD). The remaining average term is 20 months.

The currency hedge agreements are valued monthly at fair value via the income statement.

Currency hedging with external counterparts occurs to a limited extent for the currencies USD, EUR and GBP.

## Note 17 – Other debtors

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Other debtors, group companies <sup>1)</sup>	–	127	167	125
Other debtors	144	185	83	77
<b>TOTAL<sup>2)</sup></b>	<b>144</b>	<b>312</b>	<b>250</b>	<b>202</b>

<sup>1)</sup> Group companies are defined as companies within the White Mountains Group.

<sup>2)</sup> The majority of the receivables have a duration less than three months.

## Note 18 – Categories of financial assets and liabilities and their fair value

### FINANCIAL ASSETS

GROUP 2013	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	–	4,097	–	4,097	4,097	3,441
Derivative financial instruments <sup>1)</sup>	–	273	–	273	273	12
Bonds and other interest-bearing securities	–	7,813	8,647	16,460	16,460	16,489
Accrued income	478	46	110	634	634	634
Other debtors	144	–	–	144	144	144
<b>TOTAL</b>	<b>622</b>	<b>12,229</b>	<b>8,757</b>	<b>21,608</b>	<b>21,608</b>	<b>20,720</b>

GROUP 2012	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	–	3,567	–	3,567	3,567	3,527
Derivative financial instruments <sup>1)</sup>	–	326	–	326	326	16
Bonds and other interest-bearing securities	–	8,193	10,041	18,234	18,234	18,162
Accrued income	459	66	124	649	649	649
Other debtors	379	–	–	379	379	379
<b>TOTAL</b>	<b>838</b>	<b>12,152</b>	<b>10,165</b>	<b>23,155</b>	<b>23,155</b>	<b>22,733</b>

## Note 18 – Cont.

## FINANCIAL ASSETS

<b>PARENT COMPANY 2013</b>	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	–	399	–	399	399	496
Derivative financial instruments <sup>1)</sup>	–	273	–	273	273	12
Bonds and other interest-bearing securities	–	–	6,564	6,564	6,564	6,617
Accrued income	276	–	87	363	363	363
Other debtors	250	–	–	250	250	250
<b>TOTAL</b>	<b>526</b>	<b>672</b>	<b>6,651</b>	<b>7,849</b>	<b>7,849</b>	<b>7,738</b>

<b>PARENT COMPANY 2012</b>	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	–	549	–	549	549	613
Derivative financial instruments <sup>1)</sup>	–	326	–	326	326	16
Bonds and other interest-bearing securities	–	–	10,041	10,041	10,041	10,159
Accrued income	285	–	124	409	409	409
Other debtors	202	–	–	202	202	202
<b>TOTAL</b>	<b>487</b>	<b>875</b>	<b>10,165</b>	<b>11,527</b>	<b>11,527</b>	<b>11,399</b>

<sup>1)</sup> Derivatives are classified as Financial instruments held for trading.

## FINANCIAL LIABILITIES

<b>GROUP 2013</b>	Other financial liabilities	Carrying amount	Fair value	<b>GROUP 2012</b>	Other financial liabilities	Carrying amount	Fair value
Other liabilities	188	188	188	Other liabilities	1,400	1,400	1,400
Accrued expenses	378	378	378	Accrued expenses	321	321	321
<b>TOTAL</b>	<b>566</b>	<b>566</b>	<b>566</b>	<b>TOTAL</b>	<b>1,721</b>	<b>1,721</b>	<b>1,721</b>

<b>PARENT COMPANY 2013</b>	Other financial liabilities	Carrying amount	Fair value	<b>PARENT COMPANY 2012</b>	Other financial liabilities	Carrying amount	Fair value
Other liabilities	133	133	133	Other liabilities	1,325	1,325	1,325
Accrued expenses	229	229	229	Accrued expenses	185	185	185
<b>TOTAL</b>	<b>362</b>	<b>362</b>	<b>362</b>	<b>TOTAL</b>	<b>1,510</b>	<b>1,510</b>	<b>1,510</b>

Note 18 – Cont.

In the tables below, data is provided regarding the determination of fair value for financial instruments valued at fair value in the balance sheet. The determination of fair values is categorized according to the following three levels:

**Level 1:** Based on prices listed on a active market for identical assets or liabilities

**Level 2:** Based on directly (according to price listings) or indirectly (derived from price listings) observable market data for assets or liabilities that are not included in Level 1

**Level 3:** Based on input data that is not observable on the market.

<b>GROUP 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	3,237	9	851	4,097
Derivatives	-	-	273	273
Bonds and other interest-bearing securities	4,245	12,152	63	16,460
<b>TOTAL</b>	<b>7,482</b>	<b>12,161</b>	<b>1,187</b>	<b>20,830</b>

<b>PARENT COMPANY 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	314	9	76	399
Derivatives	-	-	273	273
Bonds and other interest-bearing securities	3,144	3,420	-	6,564
<b>TOTAL</b>	<b>3,458</b>	<b>3,429</b>	<b>349</b>	<b>7,236</b>

The fair value of financial instruments traded on an active market is based on the listed price on balance sheet date. A market is seen to be active in cases where listed prices from a stock exchange, broker, industry group, pricing service or supervisory authority are easily accessible, and where these prices represent genuine, regularly-occurring market transactions conducted at arm's length. The listed market price applied in determining the fair value of instruments that are to be found in Level 1 is the current buying-rate

Fair values of financial instruments which are not traded on an active market are determined with the aid of valuation techniques. This procedure applies, as far as possible, such market information as is available, while information specific to a company is applied as little as possible. If all significant input data required in determining the fair value of an instrument is observable, the instrument is to be found in Level 2 or 3. Currency derivatives are included in level 3 due to their long duration.

<b>GROUP 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	2,324	363	879	3,566
Derivatives	-	-	326	326
Bonds and other interest-bearing securities	4,220	14,015	-	18,235
<b>TOTAL</b>	<b>6,544</b>	<b>14,378</b>	<b>1,205</b>	<b>22,127</b>

<b>PARENT COMPANY 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	-	360	189	549
Derivatives	-	-	326	326
Bonds and other interest-bearing securities	3,190	6,851	-	10,041
<b>TOTAL</b>	<b>3,190</b>	<b>7,211</b>	<b>515</b>	<b>10,916</b>

Specific valuation techniques applied in valuing financial instruments include:

- Listed market prices or broker listings for similar instruments.
- Fair value of interest swaps is determined as the current value of estimated future cash flows, based on observable yield curves.
- Fair value for currency forward exchange agreements is determined through the use of exchange rates for forward exchanges on balance sheet date, at which point the resulting value is discounted to current value.
- Other techniques, such as the calculation of discounted cash-flows, are applied in determining fair value for any financial instruments not covered by the above techniques.

All fair values determined with the aid of these valuation techniques are to be found in Level 2.

In the event that one or more significant input data figures are not based on observable market information, the associated instrument is to be classified in Level 3.

Note 18 – Cont.

The tables below shows a reconciliation of opening and closing balance data for financial instruments valued at fair value in the balance sheet, on the basis on non-observable input data (Level 2 and 3).

<b>GROUP 2013</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
Opening balance January 1, 2013	363	–	14,015	14,378
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	40	–	–305	–265
Acquisition cost, purchase	21	–	12,833	12,854
Proceeds of sale, sales	–404	–	–14,410	–14,814
Transfer from Level 2	–12	–	–	–12
Transfer into Level 2	–	–	88	88
Currency revaluation effect	–	–	–68	–68
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>9</b>	<b>–</b>	<b>12,152</b>	<b>12,161</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 <sup>1)</sup>	40	–	–305	–265
<b>PARENT COMPANY 2013</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
Opening balance January 1, 2013	360	–	6,851	7,211
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	40	–	–75	–35
Acquisition cost, purchase	21	–	3,739	3,760
Proceeds of sale, sales	–400	–	–7,098	–7,498
Transfer from Level 2	–12	–	–	–12
Transfer into Level 2	–	–	3	3
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>9</b>	<b>–</b>	<b>3,420</b>	<b>3,429</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 <sup>1)</sup>	40	–	–75	–35
<b>GROUP 2013</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
Opening balance January 1, 2013	879	326	–	1,205
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	16	95	–	111
Acquisition cost, purchase	192	–	63	255
Proceeds of sale, sales	–260	–148	–	–408
Transfer from Level 3	–	–	–	–
Transfer into Level 3	–3	–	–	–3
Currency revaluation effect	27	–	–	27
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>851</b>	<b>273</b>	<b>63</b>	<b>1,187</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 <sup>1)</sup>	16	95	–	111

<sup>1)</sup> Reported in net income of financial transactions in profit/loss for the year.



## Note 18 – Cont.

<b>PARENT COMPANY 2013</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
Opening balance January 1, 2013	189	326	–	515
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	5	95	–	100
Acquisition cost, purchase	34	–	–	34
Proceeds of sale, sales	-150	-148	–	-298
Transfer from Level 3	-2	–	–	-2
Transfer into Level 3	–	–	–	–
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>76</b>	<b>273</b>	<b>–</b>	<b>349</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 <sup>1)</sup>	5	95	–	100

<b>GROUP 2012</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
Opening balance January 1, 2013	993	30	88	1,111
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	-46	294	6	254
Acquired balances				
Acquisition cost, purchase	53	–	–	53
Proceeds of sale, sales	-82	2	-89	-169
Transfer from Level 3	–	–	–	–
Transfer into Level 3	–	–	–	–
Currency revaluation effect	-39	–	-5	-44
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>879</b>	<b>326</b>	<b>0</b>	<b>1,205</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2012 <sup>1)</sup>	-46	294	6	254

<b>PARENT COMPANY 2012</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
Opening balance January 1, 2013	319	30	–	349
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	-118	294	–	176
Acquisition cost, purchase	–	–	–	–
Proceeds of sale, sales	-12	2	–	-10
Transfer from Level 3	–	–	–	–
Transfer into Level 3	–	–	–	–
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>189</b>	<b>326</b>	<b>–</b>	<b>515</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2012 <sup>1)</sup>	-118	294	–	176

<sup>1)</sup> Reported in net income of financial transactions in profit/loss for the year.

Financial instruments classified in Level 3 are to some extent funds valued at NAV-rate.

## Note 19 – Tangible assets

	Group Equipment	Parent Company Equipment
<i>Accumulated acquisition cost</i>		
Opening balance January 1, 2012	154	100
Acquisition	34	32
Disposals	-9	-8
Currency revaluation effect	-3	-
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>176</b>	<b>124</b>
Opening balance January 1, 2013	176	124
Acquisition	29	13
Disposals	-16	-16
Currency revaluation effect	-1	-
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>188</b>	<b>121</b>
<i>Accumulated depreciation</i>		
Opening balance January 1, 2012	-107	-60
Depreciation for the year	-25	-21
Disposals	8	7
Currency revaluation effect	2	-
<b>CLOSING BALANCE DECEMBER 31, 2012</b>	<b>-122</b>	<b>-74</b>
Opening balance January 1, 2013	-122	-74
Depreciation for the year	-26	-22
Disposals	15	15
Currency revaluation effect	1	-
<b>CLOSING BALANCE DECEMBER 31, 2013</b>	<b>-131</b>	<b>-81</b>
<b>Carrying amount</b>		
Per January 1, 2012	47	40
<b>PER DECEMBER 31, 2012</b>	<b>54</b>	<b>50</b>
Per January 1, 2013	54	50
<b>PER DECEMBER 31, 2013</b>	<b>57</b>	<b>40</b>

## Note 20 – Deferred acquisition costs

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Opening balance	439	471	266	341
Acquired portfolio	0	0	-	-
Capitalization for the year	423	351	219	252
Depreciation/amortization for the year	-411	-357	-240	-310
Currency revaluation effect	-5	-26	-1	-17
<b>CLOSING BALANCE</b>	<b>446</b>	<b>439</b>	<b>244</b>	<b>266</b>

## Note 21 – *Untaxed reserves*

<b>PARENT COMPANY</b>	<b>2013</b>	<b>2012</b>
<i>Accumulated depreciation in excess of plan</i>		
Opening balance January 1	25	35
Change for the year – goodwill	–4	–4
Change for the year – tangible assets	–6	–6
<b>CLOSING BALANCE DECEMBER 31</b>	<b>15</b>	<b>25</b>
<i>Appropriation to safety reserve</i>		
Opening balance January 1	9,647	9,647
Change for the year	800	–
<b>CLOSING BALANCE DECEMBER 31</b>	<b>10,447</b>	<b>9,647</b>
<b>TOTAL</b>	<b>10,462</b>	<b>9,672</b>

## Note 22 – *Provisions for unearned premiums and unexpired risks*

### PROVISIONS FOR UNEARNED PREMIUMS

<b>GROUP</b>	<b>2013</b>			<b>2012</b>		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	2,120	–463	1,657	2,182	–439	1,743
Acquired portfolio	0	0	0	3	–3	0
Change in provision	34	21	55	78	–58	20
Currency revaluation effect	–21	–4	–25	–143	37	–106
<b>CLOSING BALANCE</b>	<b>2,133</b>	<b>–446</b>	<b>1,687</b>	<b>2,120</b>	<b>–463</b>	<b>1,657</b>

### PROVISIONS FOR UNEXPIRED RISKS

<b>GROUP</b>	<b>2013</b>			<b>2012</b>		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	81	–61	20	118	–87	31
Change in provision	–5	4	–1	–31	22	–9
Currency revaluation effect	0	1	1	–6	4	–2
<b>CLOSING BALANCE</b>	<b>76</b>	<b>–56</b>	<b>20</b>	<b>81</b>	<b>–61</b>	<b>20</b>

### PROVISIONS FOR UNEARNED PREMIUMS

<b>PARENT COMPANY</b>	<b>2013</b>			<b>2012</b>		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	1,498	–456	1,042	1,730	–442	1,288
Change in provision	–77	16	–61	–121	–52	–173
Currency revaluation effect	–9	–5	–14	–111	38	–73
<b>CLOSING BALANCE</b>	<b>1,412</b>	<b>–445</b>	<b>967</b>	<b>1,498</b>	<b>–456</b>	<b>1,042</b>

### PROVISIONS FOR UNEXPIRED RISKS

<b>PARENT COMPANY</b>	<b>2013</b>			<b>2012</b>		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	82	–61	21	118	–87	31
Change in provision	–5	4	–1	–31	22	–9
Currency revaluation effect	–1	1	0	–5	4	–1
<b>CLOSING BALANCE</b>	<b>76</b>	<b>–56</b>	<b>20</b>	<b>82</b>	<b>–61</b>	<b>21</b>

## Note 23 – Claims reserve

GROUP	2013			2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance, reported claims	7,264	-1,359	5,905	7,882	-1,454	6,428
Opening balance, incurred but not reported claims (IBNR)	9,101	-3,583	5,518	12,418	-6,131	6,287
<b>OPENING BALANCE</b>	<b>16,365</b>	<b>-4,942</b>	<b>11,423</b>	20,300	-7,585	12,715
Acquired portfolio	330	-89	241	190	-91	99
Cost for claims incurred – current year	2,856	-722	2,134	3,003	-359	2,644
Cost for claims incurred – prior years	-1,762	2,376	614	-415	1,463	1,048
Claims handling expense	183	0	183	176	0	176
Paid claims	4,752	-861	3,891	5,085	-763	4,322
Currency revaluation effect	-365	277	-88	-1,452	867	-585
<b>CLOSING BALANCE</b>	<b>12,489</b>	<b>-2,239</b>	<b>10,250</b>	16,365	-4,942	11,423
Closing balance, reported claims	7,255	-1,532	5,723	7,264	-1,359	5,905
Closing balance, incurred but not reported claims (IBNR)	5,234	-707	4,527	9,101	-3,583	5,518

PARENT COMPANY	2013			2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance, reported claims	3,985	-861	3,124	4,272	-908	3,364
Opening balance, incurred but not reported claims (IBNR)	4,768	-3,124	1,644	7,673	-5,637	2,036
<b>OPENING BALANCE</b>	<b>8,753</b>	<b>-3,985</b>	<b>4,768</b>	11,945	-6,545	5,400
Cost for claims incurred – current year	2,262	-813	1,449	1,990	-358	1,632
Cost for claims incurred – prior years	-2,218	2,392	174	-899	1,393	494
Claims handling expense	141	0	141	128	0	128
Paid claims	2,575	-728	1,847	3,130	-684	2,446
Currency revaluation effect	-326	275	-51	-1,025	841	-184
<b>CLOSING BALANCE</b>	<b>5,755</b>	<b>-1,403</b>	<b>4,352</b>	8,753	-3,985	4,768
Closing balance, reported claims	4,198	-1,107	3,091	3,985	-861	3,124
Closing balance, incurred but not reported claims (IBNR)	1,557	-296	1,261	4,768	-3,124	1,644

## Note 24 – Equalization provision

PARENT COMPANY	2013	2012
Opening balance	86	61
Provision of the year	-	25
<b>CLOSING BALANCE</b>	<b>86</b>	<b>86</b>

## Note 25 – Claims handling provision

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Opening balance	247	254	132	142
Acquired portfolio	4	16	0	0
Release of provision made in prior years	-59	-66	-34	-39
Provision of the year	48	51	32	31
Currency revaluation effect	1	-8	2	-2
<b>CLOSING BALANCE</b>	<b>241</b>	<b>247</b>	<b>132</b>	<b>132</b>

## Note 26 – Employee benefits

### DEFINED BENEFIT PLANS

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Pension obligations covered by plan assets	74	74	–	–
Plan assets at fair value	–78	–69	–	–
<b>SURPLUS (–) DEFICIT (+)</b>	<b>–4</b>	<b>2</b>	<b>–</b>	<b>–</b>
Pension obligations not covered by plan assets	11	9	11	9
<b>PROVISION FOR DEFINED BENEFIT PENSION PLANS, NET</b>	<b>7</b>	<b>11</b>	<b>11</b>	<b>9</b>

#### Group defined benefit plans

In a defined benefit plan, the employer guarantees that the employee will receive a defined level of benefit upon retirement, based on one or more factors, such as age, length of service and salary. The group calculates its provisions and expenses based on the conditions of the guaranteed pension obligations, as well as on its own assumptions regarding future development.

The provision reported in the balance sheet for defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, adjusted for actuarial gains and losses recognized in Other Comprehensive Income. Actuarial gains and losses arise if actual outcome deviates from calculated, defined assumptions, or if there is a change in assumptions. The defined pension obligation is calculated annually by independent actuaries, applying the projected unit credit method. The net present value of the pension obligation is defined by discounting of estimated future cash flows, using interest rates that are based on the same currency in which the obligations are to be paid and with durations comparable to the duration of the current pension obligation. Other assumptions used to determine the pension obligation and the fair value of the plan assets are disclosed in this note.

The group has defined benefit plans in Sweden (collective agreement) and

Germany which are based on the employees' pension entitlements and length of employment. In Germany all employees are included in the plan. In Sweden only employees born 1971 or earlier are covered by defined benefit plans and, thus, form part of the FTP2. Paid pension premiums are mainly funded with Skandia Liv for employees in Sweden and with Allianz for employees in Germany. The lion share of the plan assets are funded with Skandia Liv where the assets are invested in Swedish bonds (35%), Swedish and foreign shares (29%), real-estate (10%), private equity (7%) and in other investment assets (19%).

Furthermore, there are two variations of retirement earlier than at the age of 65. Employees born 1955 and earlier have the possibility to retire between the ages of 62 and 65 according to local agreement. Staff employed before 1 January, 2004 have the right to retire from the age of 64. These plans are also defined benefit plans and are reflected in financial statements of both the Group and the Parent Company.

Employees in Sweden born 1972 or later, are covered by a defined contribution plan, FTP1.

Employees outside Sweden and Germany are mainly covered by defined contribution plans in which the employer has a responsibility for the employees' pension.

### PENSION COST RECOGNIZED IN THE INCOME STATEMENT

GROUP	2013	2012
Current service cost	7	8
Interest cost on pension obligation	3	2
Interest income on plan assets	–3	–2
<b>PENSION COST FOR DEFINED BENEFIT PLANS</b>	<b>7</b>	<b>8</b>
Paid premiums, defined contribution plans	65	51
<b>TOTAL PENSION COST<sup>1)</sup></b>	<b>72</b>	<b>59</b>

<sup>1)</sup> The pension cost for the year does not include special salary tax, which is disclosed in note 30 in the table "Remuneration to employees".

### CHANGES IN DEFINED BENEFIT OBLIGATIONS

GROUP	2013	2012
Opening balance pension obligation	80	67
Effect of changed accounting principle IAS 19R	–	1
Current service cost	7	8
Interest cost on pension obligation	3	2
Actuarial gains and losses recognized in OCI	–2	6
Release of obligation by payment	–3	–4
Tax	–1	–
Currency revaluation effect	1	0
<b>CLOSING BALANCE PENSION OBLIGATION</b>	<b>85</b>	<b>80</b>



## Note 26 – Cont.

**CHANGES IN PLAN ASSETS**

<b>GROUP</b>	<b>2013</b>	<b>2012</b>
Opening balance plan assets at fair value	69	61
Interest income on plan assets	3	2
Contributions	5	4
Actuarial gains and losses recognized in OCI	4	4
Release of obligation by payment	-4	-2
Currency revaluation effect	1	0
<b>CLOSING BALANCE PLAN ASSETS AT FAIR VALUE</b>	<b>78</b>	<b>69</b>

The plan assets' fair value, as per December 31, 2013, is lower than the value of the Group's defined benefit pension commitments. The Group has per December 31, 2013 a net obligation of MSEK 7 (11). This is due to the Group having a non-funded commitment, for the portion of the Group's benefit-based pension plans which facilitate retirement between 62 and 65 years of age. Actual retirements are settled when the decision regarding retirement is made. In conjunction with such a decision, the total pension premium is paid to the company's pension administrator for the period up to 65 years of age. During the year, no employees have exercised the opportunity to take early retirement.

**CHANGES IN ACTUARIAL GAINS/LOSSES RECOGNIZED IN OCI, PRE-TAX**

<b>GROUP</b>	<b>2013</b>	<b>2012</b>
Opening balance actuarial gains/losses	6	3
Effect of changed accounting principle IAS 19R	-	1
Current year change in actuarial gains (-)/losses (+) on pension obligation	-2	6
Current year change in actuarial gains (-)/losses (+) on plan assets	-4	-4
<b>CLOSING BALANCE ACTUARIAL GAINS/LOSSES</b>	<b>0</b>	<b>6</b>

Opening balance 2012 is adjusted for the effect of changed accounting principle IAS 19 R per Jan 1, 2012.

**ACTUARIAL ASSUMPTIONS**

<b>GROUP</b>	<b>2013</b>	<b>2012</b>
Discount rate	3.6%	3.3%
Price inflation	1.5%	1.5%
Expected salary increases	3.0%	3.0%
Indexation of benefits	1.5%	1.5%
Indexation of income base amount	2.5%	2.5%
Staff turnover	3.0%	3.0%

When calculating the expense for defined benefit obligations, assumptions are made regarding the future development of factors which may influence the size of expected payments. The discount rate is the interest rate applied to discount the value of expected payments. This rate is fixed applying a market rate with a remaining duration equivalent to the pension obligations. The discount rate applied for the Swedish defined obligations, is based on high quality Swedish mortgage bonds, issued in the same currency in which the future benefits will be settled and with durations comparable to the current benefit obligation. The German pension obligation is discounted with a discount rate, stipulated by German statutory regulations, taking into account both the underlying currency and the duration of the pension obligation. The expected duration of the pension obligations is 17 years (19 years).

Expected future annual salary increases is mirrored by composition of effects from collective agreements and salary drift. Final benefits according to FTP are governed by Swedish base income amount (inkomstbasbeloppet). Consequently, there is a requirement to assess future base income amounts. Annual pension increases also need to be considered, as these have historically always taken place.

Assumptions about the beneficiaries' life expectancy comply with FFFS 2007:31 (DUS06) and are updated annually. When establishing the value of defined benefit obligations, according to IFRS, it is common practice in Sweden to comply with the above mentioned instruction from the Swedish Financial Supervisory Authority.

## Note 27 – Other creditors

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Amounts due to group companies <sup>1)</sup>	28	1,231	51	1,257
Other debtors	160	169	82	68
<b>TOTAL<sup>2)</sup></b>	<b>188</b>	<b>1,400</b>	<b>133</b>	<b>1,325</b>

<sup>1)</sup> Group companies are defined as companies within the White Mountains-group.

<sup>2)</sup> The majority of the liabilities have a duration less than one year.

## Note 28 – Contingent liabilities and commitments

### PLEGDED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Bonds and other interest-bearing securities	7,809	8,675	6,571	7,559
Cash and bank	158	195	120	142
<b>ASSETS FOR WHICH POLICY HOLDERS HAVE PREFERENTIAL RIGHTS</b>	<b>7,967</b>	<b>8,870</b>	<b>6,691</b>	<b>7,701</b>

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 5,488. In the case of insolvency, the insured has preferential rights to the registered assets. During the course of operations, the Company has the right to register and de-register assets from the register, provided that all insurance commitments are covered by technical provisions in accordance with the Insurance Business Act.

### CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<i>Nominal amount</i>				
Guarantees on behalf of subsidiary	1,930	1,970	1,930	1,970
Future commitments for investments in private equity companies	140	161	49	53
<b>TOTAL</b>	<b>2,070</b>	<b>2,131</b>	<b>1,979</b>	<b>2,023</b>

## Note 29 – Associated parties

### SUMMARY OF TRANSACTIONS WITH ASSOCIATED COMPANIES WITHIN THE WHITE MOUNTAINS GROUP

<b>GROUP 2013</b>	Premium income, net	Indemnifications	Purchased/ sold services	Receivables	Liabilities
White Mountains Life Re Ltd. – ceded reinsurance	-126	-2,542	-	-	-
Sirius International Financial Services LLC – financial services	-	-	146	-	19
White Mountains Advisors LLC – financial services	-	-	-39	-	9
White Mountains Capital Inc – administrative services	-	-	1	-	-
White Mountains Insurance Group – administrative services	-	-	2	-	-
Sirius International Insurance Group Ltd. – administrative services	-	-	16	-	-
White Schoals Re Ltd. – administrative services	-	-	1	-	-
Sirius International Group Ltd. – administrative services	-	-	-	-	5
HG Global Ltd. – administrative services	-	-	1	-	-
HG Re Ltd. – administrative services	-	-	1	-	-
White Mountains International S.à r.l. – administrative services	-	-	-	-	1
Split Rock Insurance Ltd. – administrative services	-	-	1	1	-
OneBeacon Insurance Group Ltd. – liability insurance and dividends	-	-	40	-	-
Symetra Financial Corporation – dividends	-	-	16	-	-
<b>TOTAL</b>	<b>-126</b>	<b>-2,542</b>	<b>186</b>	<b>1</b>	<b>34</b>

<b>PARENT COMPANY 2013</b>	Premium income, net	Indemnifications	Purchased/ sold services	Receivables	Liabilities
Sirius America Insurance Company – assumed reinsurance	138	-3	-	329	-
Sirius America Insurance Company – ceded reinsurance	-2	-3	-	3	-
Star Re Ltd. – ceded reinsurance	-82	-	-	-	-
Syndicate 1945 – assumed reinsurance	17	-5	-	4	-
White Mountains Life Re Ltd. – ceded reinsurance	-126	-2,542	-	-	-
Sirius America Insurance Company – administrative services	-	-	7	-	1
Sirius Global Services LLC – administrative services	-	-	-22	3	-
Sirius Capital Markets Bermuda Ltd. – administrative services	-	-	1	-	-
Sirius International Holdings Ltd. – administrative services	-	-	-3	-	-
Sirius International Financial Services LLC – financial services	-	-	146	-	19
HG Global Ltd. – administrative services	-	-	1	-	-
HG Re Ltd. – administrative services	-	-	1	-	-
Split Rock Insurance Ltd – administrative services	-	-	1	1	-
White Mountains Advisors LLC – financial services	-	-	-17	-	3
Sirius International Holding (NL) B.V. – dividends	-	-	13	-	-
Star Re Ltd. – intra-group receivables	-	-	1	-	-
Passage2Health Ltd. – intra-group receivables	-	-	-	4	-
White Mountains Re Sirius Capital Ltd. – intra-group receivables	-	-	-	10	-
Syndicate 1945 – intra group receivables	-	-	63	67	-
White Sands Holdings (Luxembourg) S.à r.l. – dividends	-	-	699	-	-
S.I. Holdings (Luxembourg) S.à r.l. – dividends/receivables	-	-	84	87	-
WM Phoenix (Luxembourg) S.à r.l. – dividends	-	-	866	-	-
Sirius Rückversicherungs Service GmbH – intra-group payables	-	-	-25	-	31
Sirius Belgium Réassurances S.A – intra-group payables	-	-	-	-	1
OneBeacon Insurance Group Ltd. – liability insurance	-	-	-1	-	-
<b>TOTAL</b>	<b>-55</b>	<b>-2,553</b>	<b>1,815</b>	<b>508</b>	<b>55</b>

## Note 29 – Cont.

<b>GROUP 2012</b>	Premium income, net	Indemnifications	Purchased/ sold services	Receivables	Liabilities
White Mountains Life Re Ltd. – ceded reinsurance	-213	-1,582	-	2,845 <sup>1)</sup>	14
Sirius International Holding – administrative services	-	-	-3	-	-
Sirius International Financial Services LLC – financial services	-	-	-	1,292	16
Sirius Insurance Holding Sweden AB – group contributions and short-term receivables	-	-	-	49	533
Fund American Holdings AB – group contributions and dividends	-	-	-	-	680
White Mountains Advisors LLC – financial services	-	-	-41	-	4
White Mountains Capital Inc – administrative services	-	-	3	-	-
White Mountains Insurance Group – administrative services	-	-	2	2	-
Scandinavian Reinsurance Company Ltd. – administrative services	-	-	2	-	-
Sirius International Insurance Group Ltd. – administrative services	-	-	14	-	-
Sirius International Group Ltd. – administrative services	-	-	-	-	25
White Mountains International S.à r.l. – administrative services	-	-	-	-	1
OneBeacon Insurance Group Ltd. – liability insurance and dividends	-	-	40	-	-
Symetra Financial Corporation – dividends	-	-	20	-	-
<b>TOTAL</b>	<b>-213</b>	<b>-1,582</b>	<b>37</b>	<b>4,188</b>	<b>1,273</b>

<b>PARENT COMPANY 2012</b>	Premium income, net	Indemnifications	Purchased/ sold services	Receivables	Liabilities
Sirius America Insurance Company – assumed reinsurance	185	-318	-	210	-
Sirius America Insurance Company – ceded reinsurance	-4	21	-	-	89
Sirius America Insurance Company – administrative services	0	0	-5	-	-4
White Mountains Life Re Ltd. – ceded reinsurance	-213	-1,582	-	2,845 <sup>1)</sup>	14
Sirius International Holdings Ltd. – administrative services	-	-	-3	-	1
Sirius International Financial Services LLC – financial services	-	-	-	326	16
Sirius Insurance Holding Sweden AB – group contributions and short-term receivables	-	-	-	49	533
Fund American Holdings AB – group contributions and dividends	-	-	-	-	680
White Mountains Advisors LLC – financial services	-	-	-21	-	4
Scandinavian Reinsurance Company Ltd. – administrative services	-	-	2	-	-
Syndicate 1945 – intra group receivables	-	-	-	69	-
White Mountains Re Sirius Capital Ltd. – intra-group receivables	-	-	-	7	-
Sirius Rückversicherungs Service GmbH – intra-group payables	-	-	-24	-	26
Sirius Belgium Réassurances S.A – intra-group payables	-	-	-	-	1
OneBeacon Insurance Group Ltd. – liability insurance	-	-	-1	-	-
<b>TOTAL</b>	<b>-32</b>	<b>-1,879</b>	<b>-52</b>	<b>3,506</b>	<b>1,360</b>

<sup>1)</sup> Refers to reinsurer's share of outstanding claims.





## Note 30 – Average number of employees, salaries and other remunerations

### AVERAGE NUMBER OF EMPLOYEES

GROUP	2013			2012		
	Men	Women	TOTAL	Men	Women	TOTAL
Parent Company	141	145	286	136	143	279
Germany	4	9	13	4	9	13
UK	0	2	2	2	2	4
USA	60	58	118	59	55	114
Canada	5	2	7	4	2	6
<b>TOTAL</b>	<b>210</b>	<b>216</b>	<b>426</b>	<b>205</b>	<b>211</b>	<b>416</b>

PARENT COMPANY	2013			2012		
	Men	Women	TOTAL	Men	Women	TOTAL
Sweden	74	72	146	71	71	142
UK	25	20	45	23	20	43
Belgium	23	24	47	23	24	47
Switzerland	4	5	9	4	5	9
Singapore	4	11	15	4	10	14
Denmark	5	2	7	5	2	7
Bermuda	6	11	17	6	11	17
<b>TOTAL</b>	<b>141</b>	<b>145</b>	<b>286</b>	<b>136</b>	<b>143</b>	<b>279</b>

### SENIOR MANAGEMENT

GROUP AND PARENT COMPANY	2013			2012		
	Men	Women	TOTAL	Men	Women	TOTAL
Board and CEO	6	–	6	4	–	4
Other senior members of management	1	–	1	2	–	2
<b>TOTAL</b>	<b>7</b>	<b>–</b>	<b>7</b>	<b>6</b>	<b>–</b>	<b>6</b>

### REMUNERATIONS TO EMPLOYEES

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Salaries including bonuses	553	520	329	302
<i>Of which expenses bonus and other similar remunerations</i>	203	147	114	87
Pension expenses	72	59	61	49
– <i>Defined contribution plans</i>	65	51	60	47
– <i>Defined benefit plans (Note 26)</i>	7	8	1	2
Social security contributions, special employer's contributions on pensions	99	78	93	72
<b>TOTAL</b>	<b>724</b>	<b>657</b>	<b>483</b>	<b>423</b>

## Note 30 – Cont.

## OF WHICH PAID REMUNERATIONS FOR THE YEAR TO:

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>CEO</b>				
Salaries including bonuses	16	18	16	18
<i>Of which paid out bonuses</i>	12	14	12	14
Pension expenses	3	3	3	3
– Defined contribution plans	3	3	3	3
– Defined benefit plans	–	–	–	–
<b>TOTAL</b>	<b>19</b>	<b>21</b>	<b>19</b>	<b>21</b>
<b>Board and other senior members of management</b>				
Salaries including bonuses	14	14	14	14
<i>Of which expenses bonus and other similar remunerations</i>	8	9	8	9
Pension expenses	3	2	3	2
– Defined contribution plans	3	2	3	2
– Defined benefit plans	–	–	–	–
<b>TOTAL</b>	<b>17</b>	<b>16</b>	<b>17</b>	<b>16</b>

**Salaries and remuneration**

The Board receives remunerations in accordance with the resolutions of the Annual General Meeting. Board fees are not paid to individuals employed in the company. No board fees were paid in 2012 and 2013.

**Remuneration policy**

Sirius International's remuneration policy is available on the Company's homepage, which follows FFFS 2011:2.

## Note 31 – Fees and reimbursements to auditors

PwC	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Audit assignment	11	11	5	4
Tax counseling	1	1	1	1
Other services	1	1	0	1
<b>TOTAL</b>	<b>13</b>	<b>13</b>	<b>6</b>	<b>6</b>

Audit assignment refers to the examination of the annual report and accounting records, as well as the administration of the Board of Directors and Managing Director, other duties which are the responsibility of the Company's auditors to execute and the provision of advisory services or other assistance resulting from observations made during such an examination or the implementation of such other duties. Other services than those included in the audit agreement are classified as audit services in addition to audit agreement, tax counseling and other services.

## Note 32 – Operational leasing

## NON-CANCELLABLE LEASES

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Due for payment within one year	49	45	33	31
Due for payment later than one year but within five years	126	129	71	74
Due for payment after five years	112	51	1	3
<b>TOTAL</b>	<b>287</b>	<b>225</b>	<b>105</b>	<b>108</b>

## Note 33 – Class analysis

### PROFIT/LOSS PER INSURANCE CLASS

<b>GROUP 2013</b>	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	1,022	86	101	76	1,285	6,160	7,445
Premium earned, gross	975	80	106	78	1,239	6,177	7,416
Incurring claims, gross	-585	-52	-47	-27	-711	-383	-1,094
Operating expenses, gross	-384	-48	-47	-32	-511	-1,944	-2,455
Result, ceded reinsurance	-12	-4	-	-1	-17	-2,943	-2,960
<b>TECHNICAL RESULT</b>	<b>-6</b>	<b>-24</b>	<b>12</b>	<b>18</b>	<b>0</b>	<b>907</b>	<b>907</b>

<b>PARENT COMPANY 2013</b>	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	650	76	57	16	799	4,374	5,173
Premium earned, gross	635	76	84	26	821	4,434	5,255
Incurring claims, gross	-343	-50	-35	1	-427	383	-44
Operating expenses, gross	-266	-46	-36	-11	-359	-1,152	-1,511
Result, ceded reinsurance	-7	-4	-	-1	-12	-2,914	-2,926
Equalization provision	-	-	-	-	-	-	-
<b>TECHNICAL RESULT</b>	<b>19</b>	<b>-24</b>	<b>13</b>	<b>15</b>	<b>23</b>	<b>751</b>	<b>774</b>

<b>GROUP 2012</b>	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	970	88	110	89	1,257	6,824	8,081
Premium earned, gross	885	81	94	87	1,147	6,887	8,034
Incurring claims, gross	-499	-44	-64	-47	-654	-1,934	-2,588
Operating expenses, gross	-377	-37	-42	-43	-499	-2,027	-2,526
Result, ceded reinsurance	-44	4	-	-	-40	-2,369	-2,409
<b>TECHNICAL RESULT</b>	<b>-35</b>	<b>4</b>	<b>-12</b>	<b>-3</b>	<b>-46</b>	<b>557</b>	<b>511</b>

<b>PARENT COMPANY 2013</b>	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	723	88	110	39	960	4,819	5,779
Premium earned, gross	736	81	95	51	963	4,968	5,931
Incurring claims, gross	-412	-44	-64	-5	-525	-566	-1,091
Operating expenses, gross	-303	-37	-42	-27	-409	-1,198	-1,607
Result, ceded reinsurance	-42	4	-	-	-38	-2,346	-2,384
Equalization provision	-	-	-	-	-	-25	-25
<b>TECHNICAL RESULT</b>	<b>-21</b>	<b>4</b>	<b>-11</b>	<b>19</b>	<b>-9</b>	<b>833</b>	<b>824</b>

STOCKHOLM, FEBRUARY 28, 2014

ALLAN WATERS  
*Chairman of the Board of Directors*

BRIAN KENSIL

JEFFREY DAVIS

JAN ONSELIUS

GÖRAN THORSTENSSON  
*President & CEO*

LARS EK

Our Auditors' Report was submitted on February 28, 2014

CATARINA ERICSSON  
*Authorised Public Accountant*

MORGAN SANDSTRÖM  
*Authorised Public Accountant*

*For translation purposes only*

# Audit report

To the annual meeting of the shareholders of Sirius International Insurance Corporation (publ), corporate identity number 516401-8136.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We have audited the annual accounts and consolidated accounts of Sirius International Insurance Corporation (publ) for the year 2013.

**Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as

of 31 December 2013 and of their financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Sirius International Insurance Corporation (publ) for the year 2013.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Insurance Business Act.

**Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act and the Insurance Business Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, February 28, 2014

Catarina Ericsson  
Authorized Public Accountant

Morgan Sandström  
Authorized Public Accountant







# Definitions

## COMBINED RATIO

Net claims incurred in relation to net premiums earned and operating expenses (both commissions and own expenses) in relation to net premiums earned.

## NET TECHNICAL PROVISIONS

Total technical provisions (premium & claims provisions) less reinsurers' share of technical provisions.

## SOLVENCY CAPITAL

Total of shareholders' equity + deferred taxes (or untaxed reserves in the parent company) + excess values of investment assets.

## SOLVENCY RATIO

Solvency capital in relation to net premium income.

This is an unaudited translation of Sirius International Annual Report 2013. The audited Swedish version is the binding version.

# History

**SIRIUS WAS FOUNDED IN 1945** as a captive by the Swedish industrial group Axel Johnson. Initially the company insured only Johnson fleet vessels and reinsured at Lloyd's. Over time, Sirius moved into third party business and during the 1970s a global assumed reinsurance account was developed.

**BY 1978 SIRIUS HAD BECOME** one of the largest reinsurance companies in Sweden with premiums of about \$40 million.

**IN 1985, THE JOHNSON GROUP** ran into financial difficulties and reluctantly sold Sirius to the Swedish industrial group ASEA, later to become ABB. Premium volume was now around \$180 million, nearly all written on a proportional basis.

**IN 1990 GÖRAN THORSTENSSON BECAME CEO** of Sirius. The company added non-proportional business and improved profitability. Sirius gradually emerged as a leading excess of loss reinsurer.

**BY 2000, SIRIUS WAS THE ONLY** major Nordic reinsurer. Merely 15 years earlier, some 35-40 Nordic companies were writing assumed reinsurance accounts; alas, without sustainable results.

**IN 2004, HISTORY THEN REPEATED ITSELF** as Sirius' second owner also ran into financial difficulties, enabling White Mountains to acquire Sirius for \$428 million and record a gain of \$111 million.

**IN 2011 ON JULY 1** the wholly owned Syndicate 1945 started to underwrite. In the autumn Sirius America (former White Mountains Re America) became part of the Sirius Group.

A combination of strong underwriting controls and uniquely experienced management – most of the team has been with the company for more than 20 years – has allowed Sirius to outperform the reinsurance industry over an extended period. Nearly all of Sirius' customers have been business partners for a long time, many for more than 40 years.

The company's philosophy has always been to write for profit only – every company says so but few walk the walk.

Management has no volume targets, avoids legacy problems by maintaining a strong balance sheet, and always sticks to what it knows.

Since the acquisition by White Mountains, Sirius has an average combined ratio of 85% and more than \$750 million in underwriting profits. This long-term track record is perhaps unparalleled.



