Annual report 2014

CONTENTS

Sirius International

a White Mountains Company

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' 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, 2014 was $3.8 billion. As of December 31, 2014, White Mountains reported total assets of $10.5 billion, adjusted shareholders' equity of $4.0 billion, and adjusted book value per share of $665.

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:

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.

SIRIUS INTERNATIONAL INSURANCE GROUP, LTD.

Global reinsurance.

Sirius International Insurance Group, Ltd.

A Bermuda-domiciled holding company whose operating companies offer insurance and reinsurance capacity for property, accident & health, aviation and space, trade credit, marine, agriculture 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 current stamp capacity of £105 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 Annual Report 2014

It gives me great pleasure to introduce my first annual report since succeeding Göran Thorstensson as President and CEO of Sirius International in March 2014. Many of the messages you will hear from me will have a familiar ring to them. Sirius marks its 70th anniversary in 2015 and, as a well-established company, our strategy continues to build and develop on what we already have rather than make eye-catching changes.

2014 was another successful year for the Sirius Group. Our underwriting result of $189 million was up 29.4 % on 2013, with gross written premium remaining almost stable at $1117 million. Our combined ratio fell to 78 %, with all classes of business operating profitably.

2014 was a particularly benign year for catastrophe losses for the reinsurance industry globally. Our largest claims during the year came from India, where there was extensive flooding in Kashmir during September followed by Cyclone Hudhud in the eastern part of the country in October. Together these two events cost our group $26 million net of outward reinsurance. Snow storms in Japan and bad weather in parts of Europe also had an impact, albeit much smaller.

Even with the qualification that losses were relatively modest, last year's performance was a tribute to the professionalism and dedication of our staff; and it was part of a pattern going back a long time. Sirius has an impressive record of prospering whatever the conditions. We have made an underwriting profit for every one of the past ten years, returning a combined ratio for the decade of under 90 %.

Having worked for the group since 1985 - and over the years spent much time talking to staff, clients and brokers - I am convinced that our people and corporate culture are central to our long-term success as a company in an ever-changing market environment.

Skilled, disciplined underwriting is an essential element of the formula, but that is just part of the story. A willingness to put our clients at the centre of what we do, to get inside their minds and understand their needs, to be flexible, to go the extra mile in ensuring that our products contribute positively to our clients' risk management, and then to provide a prompt and efficient service. These are some of the ingredients that enable Sirius to punch above its weight and develop long-term business relationships to the benefit of all parties. Intangible they may be, but these qualities are nonetheless our hallmarks.

I would also like to highlight briefly two important areas of operation where there have been significant changes in the past few years. Our presence at Lloyd's continues to grow, especially in the Accident and Health arena. Last July we successfully completed the final steps in setting up our own managing agency to oversee our syndicate there, resulting in a fully integrated Lloyd's Vehicle. This platform will reduce our cost base and promote future growth. Sirius America, now fully integrated into the group, has also continued to expand profitably and successfully, especially in Accident and Health but also in the property segment.

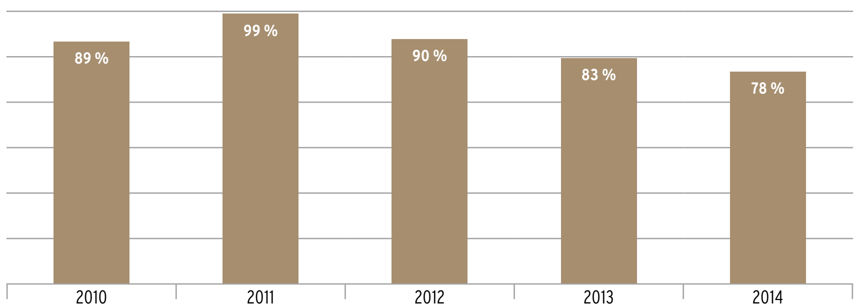
Looking ahead, there are many challenges. Next January 2016 will see the arrival of the long-awaited Solvency II reforms. We believe we are well prepared for this change, and do not anticipate that it will affect the service we provide. In other respects, 2015 will be a challenging year. Margins are even lower than before, with all classes of business being squeezed at the year-end renewal. I believe we have the relationships and the staff to handle whatever may lie ahead, and we look forward to continuing to work with our clients and brokers to our mutual benefit.

Finally, I would like to express my gratitude to all those, both internally and externally, who have helped me transition into my new role with their goodwill, support and willingness to share their thoughts. I would like to mention especially Göran Thorstensson, who successfully managed the position of CEO at Sirius for longer than most people could remember, creating the strong foundations of the group we see today. He is a hard act to follow, but has been as generous and helpful as it is possible to be in easing me into the job. Together with the entire Sirius staff, I look forward to working hard to continue to build the Sirius brand and reputation in an ever-changing and challenging marketplace.

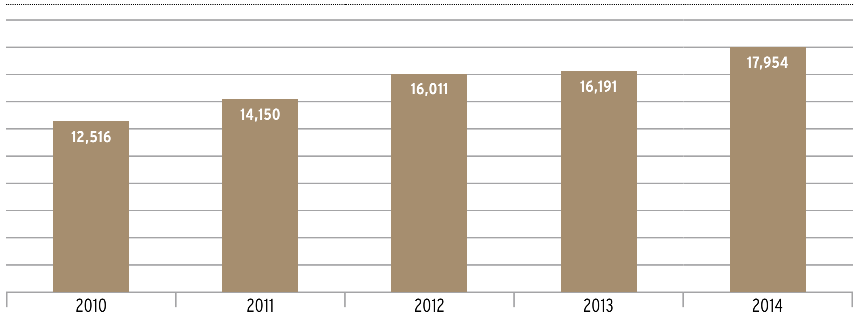
MONICA CRAMÉR MANHEM
President & CEO

AT A GLANCE	2014	2013
Net premium income	$867 million	$879 million
Claims net of reinsurance	$357 million	$421 million
Underwriting profit	$189 million	$146 million
Combined Ratio	78 %	83 %
Income before tax	$320 million	$362 million

COMBINED RATIO



SOLVENCY CAPITAL, MSEK



Board of Directors' Report

The Board of Directors and the President and Chief Executive Officer of Sirius International Försäkringsaktiebolag (publ), (Sirius International), Corporate Identity Number 516401-8136, hereby present the Annual Report for 2014.

GENERAL INFORMATION REGARDING THE COMPANY

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 2014 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. According to preliminary estimates from external experts, total insured losses from natural catastrophes and man-made disasters were USD 34 billion, down 24 % compared to the previous year. The benign outcome as regards major claims for the industry as a whole is also evident in the claims incurred for Sirius International. The following claims events represent a summary of the major claims impacting the Company's insurance portfolio during 2014. In the first quarter Japan was gripped by extreme winter conditions and heavy snow, in the second quarter Germany was hit by heavy thunderstorms and in the third quarter France, Benelux and Bulgaria suffered from hailstorms. In late September and early October two major catastrophes occurred in India. The regions Jammu and Kashmir were hit by extensive flooding from the river Jhelum. In Mid-October the cyclone Hudhud made landfall on the east coast which caused significant damage. For Sirius International these events are estimated to have resulted in claims of approximately MSEK 300 for own account.

The major claims from natural disasters during previous years developed favorably during 2014, resulting in a positive run-off result for the year. 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 2015, was exposed to a certain amount of price pressure, with falling prices in certain markets and insurance classes. For the overall portfolio, the pricing for 2015 is deemed to be satisfactory.

In 2014, the operation of Syndicate 1945 at Lloyd's has developed well. The Syndicate has successfully signed new, profitable business through Lloyd's sales channels. From July 1 the administration of the Syndicate is handled by Sirius International Managing Agency Ltd, which is wholly-owned by Sirius International.

For the US operations conducted in 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 2015.

Gross premium income amounted to MSEK 7,637 (7,445) for the Group and MSEK 4,910 (5,173) for the Parent Company. The Group's premium income for own account amounted to MSEK 5,930 (5,729), and MSEK 3,281 (3,423) for the Parent Company. For the Group the premium volume was 3 % higher compared to the previous year, and 4 % lower for the Parent Company. It is satisfying to note an increase in the premium volume for the Group compared with the previous year despite the fierce competition in the market. Increased volumes are noted in all classes of business written in Syndicate S1945 at Lloyd's coupled with increased premium volume from the class Accident and Health written by Sirius America Insurance Company. The reduction in premium volume for the Parent Company is foremost due to the fact that renewed business is, to a larger extent than before, written by Syndicate S1945, hence a shift between Parent and Group. In addition there were reduced volumes in Credit and Property reinsurance.

The Group's operating profit from insurance operations amounted to MSEK 1,549 (1,008) and to MSEK 1,028 (829) for the Parent Company. The combined ratio amounted to 78 % (83 %) for the Group and 75 % (78 %) 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 2014 stock markets was broadly strengthened, Dow Jones ended at +7.5 %, OMX 30 at + 9.9 %, Nikkei 225 at +7.1 % and DAX at +2.7 %. The FTSE 100 in UK closed somewhat lower than previous year with a decline of – 2.7 %. The global economy has not recovered as desired during 2014 and many countries are still struggling with the aftermath from the recent financial crisis. On a global basis, GDP grew by 2.6% which was below expectation. The US and UK economy has developed strongly with positive employment statistics. The recovery in Europe and Japan is moving at a slower pace with effects from the financial crisis still being evident.

The SEK has weakened against most major currencies, foremost against USD which became 20.8% stronger during 2014. Also GBP and EUR got stronger against SEK during the year, increasing by 13.6% and 6.4% respectively.

The markets in the US, Sweden, Germany and the UK are the most important ones for the Group's bond portfolio. The interest levels on three and five-year government bonds in Sweden have come down significantly during the year with decreases of 120 to 170 basis points. In the US, the interest rate in the three year tenor increased 30 basis points whereas the interest rate in the five year tenor fell about 10 basis points. The UK interest rates came down in the range of 25 to 70 basis points, while the corresponding interest rates for EURO Bonds remained virtually unchanged.

Overall, yield on the bond portfolio was 3.0 % adjusted for exchange rate effects. As regards the equity portfolio, including investments in Hedge Funds and Private Equity investments, the yield amounted to 13.8 %, adjusted for exchange rate effects. The realized and unrealized exchange rate result, including currency hedging and translation differences from foreign subsidiaries, amounted to a profit of MSEK 1,722. The exchange rate gain is due to the weakening of the SEK against the USD, 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 remains at 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 recognized in Other Comprehensive Income, but before allocation of interest to the insurance operations, shows a profit of MSEK 1,056 (1,255). The Group's direct yield was 2.3 % (2.0 %) and the total yield was 4.7 % (3.6 %). 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, excluding currency related derivatives, had the following composition: Bonds and other interest bearing securities 68 %, Shares and participations 20 %, Bank funds 12 %. Unrealized losses on currency derivatives amounted to MSEK 493 at year end.

On March 1, 2014 the Board of Directors of Sirius International appointed Monica Cramér Manhem as the new President and Chief Executive Officer of Sirius International, after the previous President and Chief Executive Officer Göran Thorstensson's retirement.

In December Sirius International Holdings (NL) B.V., executed a capital repayment totaling MSEK 1,041. Furthermore, additional capital of MSEK 975 was injected to S.I. Holdings (Luxembourg) S.à r.l.

During the year a review of the parameters used for impairment testing of Intangible Assets, Goodwill, has been made. The review resulted in an increase of the modelled cost of capital, which lead to an impairment of Acquisition Goodwill of MSEK 265 in the Group.

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 2014, the Group comprised of 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., Luxemburg; White Sands Holdings (Luxembourg) S.à r.l., Luxemburg and S.I. Holdings (Luxembourg) S.à r.l., Luxemburg.

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

There are no other significant events to disclose in addition to what has been covered in the preceding sections above.

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 contracts. 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 2015 are to achieve a combined ratio under 92% and an Underwriting Return on Capital (UROC) of 10%.

Five-year summary

GROUP (MSEK)	2014	2013	2012[3]	2011	2010
Net premium income	5,930	5,729	6,304	4,363	5,608
Net premiums earned	5,952	5,675	6,293	4,584	5,742
Allocated investment return	313	101	547	225	214
Net claims incurred	−2,445	−2,748	−3,692	−3,125	−3,428
Operating costs	−2,218	−1,977	−2,002	−1,461	−1,690
Other operating costs	−53	−43	−89	–	–
Insurance operating result	1,549	1,008	1,057	223	838
Investment operating result	637	1,352	784	219	235
Net income for the year	1,688	1,956	2,830	320	879
Net technical provisions	13,081	12,198	13,347	14,743	7,221
Market value on investment assets[4]	26,824	23,906	25,601	26,094	18,480
Insurance operating profit, for own account					
Claims ratio	41 %	48 %	59 %	68 %	60 %
Cost ratio	37 %	35 %	32 %	31 %	29 %
Combined ratio	78 %	83 %	90 %	99 %	89 %
Investment result					
Investment yield	2 %	2 %	2 %	2 %	3 %
Total yield	5 %	4 %	5 %	2 %	1 %
Solvency capital					
Shareholders' equity	15,651	13,879	13,828	11,560	9,950
Deferred tax on untaxed reserves	2,301	2,302	2,128	2,547	2,548
Deferred tax on reserve for unrealized capital gains	2	10	55	43	18
Other adjustment items	–	–	–	–	–
Total solvency capital	17,954	16,191	16,011	14,150	12,516
Solvency ratio	303 %	283 %	254 %	324 %	223 %
Capital base[1]	16,863	15,006	15,185	13,644	11,735
Required solvency capital	1,787	1,687	1,621	1,755	958
Group based values [2]					
Capital base	17,842	15,689	17,698	13,792	16,315
Solvency requirement	1,787	1,687	1,621	1,872	2,255

[1] Include Sirius International with subsidiaries.
[2] Include WM Caleta (Gibraltar) Ltd. For 2011-2010 the Group-based values include Sirius International Insurance Group Ltd.
[3] Comparison year 2012 has been converted per January 1, 2012 in order to apply IAS 19 R. Solvency capital and required solvency capital have not been converted.
[4] Includes Investment assets and Cash and bank balances.

PARENT COMPANY (MSEK)	2014	2013	2012	2011	2010
Net premium income	3,281	3,423	4,014	3,768	5,608
Net premiums earned	3,358	3,485	4,196	4,037	5,742
Allocated investment return	179	55	280	225	214
Net claims incurred	−1,298	−1,623	−2,126	−2,708	−3,421
Operating costs	−1,208	−1,086	−1,220	−1,239	−1,687
Other operating costs	–	−2	−1	–	–
Insurance operating result	1,028	829	1,104	266	839
Investment operating result	575	1,329	129	175	−128
Other expenses	−28	−28	−4	−4	−4
Net income for the year	1,386	1,266	932	321	522
Net technical provisions	5,627	5,557	6,048	6,922	7,233
Market value on investment assets[1]	19,526	19,241	20,692	19,678	18,155
Insurance operating profit, for own account					
Claims ratio	39 %	47 %	51 %	67 %	60 %
Cost ratio	36 %	31 %	29 %	30 %	29 %
Combined ratio	75 %	78 %	80 %	97 %	89 %
Investment result					
Investment yield	5 %	9 %	1 %	3 %	3 %
Total yield	4 %	6 %	2 %	3 %	0 %
Solvency capital					
Shareholders' equity	4,456	4,576	5,117	4,335	2,564
Untaxed reserves	10,459	10,462	9,672	9,682	9,687
Deferred tax on Reserve for unrealized capital gains	–	12	54	43	18
Total solvency capital	14,914	15,050	14,843	14,060	12,269
Solvency ratio	455 %	440 %	370 %	373 %	219 %
Capital base	14,035	14,237	14,265	13,648	11,603
Required solvency capital	835	851	710	765	958

[1] Include Investment assets and Cash and bank balances.

PROPOSED APPROPRIATION OF PROFITS

For 2014, the Parent Company recorded income of MSEK 1,575 (MSEK 2,130) before appropriations and taxes. Net income for the year amounted to MSEK 1,386 (MSEK 1,266). As of December 31, 2014 retained earnings in the Group amounted to MSEK 6,693.

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

(SEK in thousands)	
Retained earnings	3,776,352
Non-Restricted reserves	71,177
Dividends paid, as resolved by the general meeting of shareholders and extraordinary general meeting of shareholders	-1,577,774
Net income for the year	1,385,580
Total	3,655,335

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

Dividend to the owner	777,370
To be carried forward	2,877,965
Total	3,655,335

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

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2014	2013
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	7,637	7,445
Ceded reinsurance premiums	3	−1,707	−1,716
Change in the gross provision for unearned premiums		37	−29
Change in the provision for unearned premiums, reinsurers' share		−15	−25
Total earned premiums, for own account		5,952	5,675
Allocated investment return transferred from the non–technical account		313	101
Claims incurred, for own account	4		
Claims paid			
– Gross amount		−4,633	−4,935
– Reinsurers' share		995	861
Claims paid, for own account		−3,638	−4,074
Change in the provision for claims, for own account			
– Gross amount	4	1,155	3,841
– Reinsurers' share		37	−2,515
Total claims incurred, for own account		−2,445	−2,748
Operating costs	5	−2,218	−1,977
Other operating costs	5	−53	−43
OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT		1,549	1,008
NON-TECHNICAL ACCOUNT			
Balance of technical account		1,549	1,008
Investment income/expenses	9		
– Investment income	6	1,222	1,126
– Unrealized gains and losses	7	88	582
– Investment expenses and charges	8	−360	−255
Investment income allocated to the technical account		−313	−101
Total investment income/expenses		637	1,352
RESULT BEFORE TAXES		2,186	2,360
Taxes	10	−498	−404
NET INCOME FOR THE YEAR		1,688	1,956

Statement of Comprehensive Income – Group

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2014	2013
Net income for the year		**1,688**	1,956
Other comprehensive income			
Items not to be reclassified to income statement:			
– Actuarial gains and losses on defined benefit pension plans	26	**–7**	6
– Tax on items not to be reclassified to income statement		**1**	–1
Items to be reclassified to income statement:			
– Change of fair value on bonds		**205**	–80
– Currency translation differences		**1,585**	–100
– Tax on items to be reclassified to income statement	10	**–47**	25
Items reclassified to income statement:			
– Change of fair value on bonds		**–99**	–118
– Tax on items reclassified to income statement	10	**22**	25
Other comprehensive income for the year, net of tax		**1,660**	–243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,348**	1,713

Balance Sheet – Group

DECEMBER 31 (MSEK)	Note	2014	2013
ASSETS			
Intangible assets	11		
Goodwill		**26**	291
Other intangible assets		**198**	165
Total intangible assets		**224**	456
Investment assets			
Land and buildings	12	**12**	13
Interest bearing investments emitted by, and loans to, group companies		**213**	475
Shares and participations in associated companies		**122**	–
Other financial investments			
– Shares and participations	14,18	**5,186**	4,097
– Bonds and other interest bearing investments	15,18	**17,935**	16,460
– Derivative financial instruments	16,18	**25**	273
Total other financial investments		**23,146**	20,830
Deposits with cedents		**627**	590
Total investment assets		**24,120**	21,908
Reinsurers' share of technical provisions			
Provisions for unearned premiums	22	**595**	502
Claims outstanding	23	**2,584**	2,239
Total reinsurers' share of technical provisions		**3,179**	2,741
Debtors			
Debtors arising out of direct insurance operations		**192**	105
Debtors arising out of reinsurance operations		**2,302**	1,869
Current tax receivables		**108**	298
Deferred tax receivables	10	**2,143**	2,324
Other debtors	17, 18	**221**	144
Total debtors		**4,966**	4,740
Other assets			
Tangible assets	19	**55**	57
Cash and bank balance		**3,198**	1,998
Total other assets		**3,253**	2,055
Prepayments and accrued income	18		
Accrued interest		**152**	156
Deferred acquisition costs	20	**544**	446
Other prepayments and accrued income		**36**	32
Total prepayments and accrued income		**732**	634
TOTAL ASSETS		**36,474**	32,534

Balance Sheet – Group, cont.

DECEMBER 31 (MSEK)	Note	2014	2013
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
– 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**	5,317
– Reserves		**854**	–812
– Retained earnings - restricted		**8,158**	8,160
– Retained earnings - non–restricted, including net income for the year		**522**	414
Total shareholders' equity		**15,651**	13,879
Technical provisions			
Provisions for unearned premiums	22	**2,635**	2,209
Claims outstanding	23, 25	**13,625**	12,730
Total Technical provisions		**16,260**	14,939
Provisions for other risks and expenses			
Employee benefits	26	**14**	7
Current tax liabilities		**38**	24
Deferred tax liabilities	10	**2,288**	2,340
Other provisions		**453**	330
Total provisions for other risks and expenses		**2,793**	2,701
Liabilities			
Deposits received from reinsurers		**451**	410
Creditors arising out of direct insurance operations		**105**	59
Creditors arising out of reinsurance operations		**457**	310
Derivatives	16, 18	**494**	–
Other liabilities	18, 27	**205**	188
Accrued expenses and deferred income	18	**58**	48
Total liabilities		**1,770**	1,015
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**36,474**	32,534
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	28	**8,982**	7,967
Other pledged assets and comparable collaterals	28	**–**	–
Contingent liabilities	28	**3,350**	1,930
Commitments	28	**132**	140

Change in Shareholders' Equity – Group

(MSEK)	Share Capital [1]	Additional paid in capital	Reserves	Retained earnings – restricted [1]	Retained earnings – non–restricted	TOTAL	Minority interest	TOTAL SHAREHOLDERS' EQUITY
Amount January 1, 2014	**800**	**5 317**	**−812**	**8 160**	**414**	**13 879**	**–**	**13 879**
Comprehensive income								
Net profit/loss for the year	–	–	–	–	1 688	**1 688**	–	**1 688**
Change in untaxed reserves	–	–	–	−2	3	**1**	–	**1**
Other comprehensive income, after tax								
Change of fair value on bonds	–	–	81	–	–	**81**	–	**81**
Change defined benefit pension plans	–	–	–	–	−6	**−6**	–	**−6**
Currency translation differences	–	–	1 585	–	–	**1 585**	–	**1 585**
Total other comprehensive income	–	–	1 666	–	−6	**1 660**	–	**1 660**
Total comprehensive income	–	–	1 666	−2	1 685	**3 349**	–	**3 349**
Transactions with owners								
Dividend paid [2]	–	–	–	–	− 1 577	**−1 577**	–	**−1 577**
Total transactions with owners	–	–	–	–	−1 577	**−1 577**		**−1 577**
AMOUNT DECEMBER 31, 2013	**800**	**5 317**	**854**	**8 158**	**522**	**15 651**	**–**	**15 651**
Adjusted Amount January 1, 2013	800	5 318	−564	7 544	724	13 822	2	13 824
Comprehensive income								
Net profit/loss for the year	–	–	–	–	1 956	1 956	–	1 956
Change in untaxed reserve	–	–	–	616	−616	–	–	–
Other comprehensive income, after tax								
Change of fair value on bonds	–	–	−154	–	–	−154	–	−154
Change defined benefit pension plans	–	–	–	–	5	5	–	5
Currency translation differences	–	–	−94		–	−94	–	−94
Total other comprehensive income	–	–	−248	–	5	−243	–	−243
Total comprehensive income	–	–	−248	616	1 345	1 713	–	1 713
Transactions with owners								
Acquisition of minority share	–	−1	–	–	1	0	−2	−2
Dividend paid [2]	–	–	–	–	−1 656	−1 656	–	−1 656
Total transactions with owners	–	−1	–	–	−1 656	−1 656	−2	−1 658
AMOUNT DECEMBER 31, 2013	800	5 317	−812	8 160	414	13 879	–	13 879

[1] Share capital and Retained earnings - restricted represents the restricted shareholders' equity.

[2] Dividend paid to the parent company Fund American Holdings AB. The dividend is equal to 197 SEK (207 SEK) per share.

Change in Shareholders' Equity – Group, cont.

(MSEK)	2014	2013
SHARE CAPITAL		
Specified in number of shares		
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000

Per 31 December, 2014 the share capital comprised 8,000,000 (8,000,000) ordinary shares.
The shares have a nominal value of 100 (100) SEK.

	2014	2013
ADDITIONAL PAID IN CAPITAL		
Opening additional paid in capital	5,317	5,318
Reclassification within shareholders' equity	–	–1
CLOSING ADDITIONAL PAID IN CAPITAL	**5,317**	5,317
RESERVES		
Fair value reserve		
Opening fair value reserve	49	247
Change for the year	105	–198
Closing fair value reserve	154	49
Tax on fair value reserves		
Opening tax on fair value reserves	–10	–54
Change for the year	–24	44
Closing tax on fair value reserve	–34	–10
Fair value reserve after tax		
Opening fair value reserve after tax	39	193
Change for the year	81	–154
CLOSING FAIR VALUE RESERVE AFTER TAX	**120**	39
Translation difference		
Opening translation difference	–851	–757
Change for the year	1,585	–94
CLOSING TRANSLATION DIFFERENCE	**734**	–851
RETAINED EARNINGS – RESTRICTED		
Opening retained earnings – restricted	8,160	7,544
Change for the year	–2	616
OPENING RETAINED EARNINGS – RESTRICTED	**8,158**	8,160
RETAINED EARNINGS – NON–RESTRICTED		
Opening retained earnings – non–restricted	414	724
Net profit/loss for the year	1,688	1,956
Change in safety reserve and other restricted reserves	3	–616
Change defined benefit pension plans	–6	5
Reclassification within shareholders' equity	–	1
Dividend paid	–1,577	–1,656
CLOSING RETAINED EARNINGS – NON–RESTRICTED	**522**	414

Cash flow Statement – Group

(MSEK)	Note	2014	2013
Operating Activities			
Profit/loss before tax		2,186	2,360
Interest income		363	408
Interest expenses		–4	–2
Dividends received		208	88
Adjustment for non-cash items [1]		–1,318	–262
Income tax paid		–32	–47
Cash flow from current operations before changes in assets and liabilities		1,403	2,545
Change in financial investments		44	1,318
Change in other operating receivables		–686	2,967
Change in other operating liabilities		114	–6,291
Cash flow from operating activities		875	539
Investing activities			
Net investment of intangible assets		–46	–75
Net investments of tangible assets		–20	–27
Cash flow from investing activities		–66	–102
Financing activities			
Dividends paid		–41	–161
Group contributions paid		–	–160
Cash flow from financing activities		–41	–321
CASH FLOW FOR THE YEAR		768	116
Cash and cash equivalents at beginning of year		1,999	1,951
Cash flow for the year		768	116
Translation difference on Cash and cash equivalents		431	–68
CASH AND CASH EQUIVALENTS AT END OF YEAR [2]		3,198	1,999
[1] *Specification of non-cash items:*			
Depreciations	11, 12, 19	324	58
Capital gains on foreign exchange	6	–385	–
Capital losses on foreign exchange	8	–	214
Capital gains	6	–334	–630
Capital losses	8	264	–
Unrealized gains	7	–844	–763
Unrealized losses	7	756	181
Interest income	6	–363	–408
Interest expenses	8	4	2
Dividends received	6	–208	–88
Change in provisions for outstanding claims	23	–529	1,171
Pension provisions		–3	1
Total		–1,318	–262
[2] *The following components are included in cash and cash equivalents:*			
Cash and bank balances		766	1,184
Short term investments, equivalent to cash and cash equivalents		2,432	815
Total		3,198	1,999

Performance Analysis – Group

(MSEK)	Direct Swedish risks – Property	Direct Swedish risks – Aviation	Direct foreign risks	Assumed reinsurance	TOTAL
ANALYSIS OF INSURANCE RESULT					
Technical result insurance operations					
Premiums earned, for own account	–	4	889	5,059	**5,952**
Allocated investment return transferred from the non-technical account	–	–	23	290	**313**
Claims incurred, for own account	–2	–2	–535	–1,907	**–2,446**
Operating costs	–	–	–404	–1,814	**–2,218**
TECHNICAL RESULT OF INSURANCE OPERATION	**–2**	**2**	**–27**	**1,628**	**1,601**
Of which results from prior years, gross amounts [1]		–1	–408	–685	**–1,094**
Technical provisions					
Unearned premiums and remaining risks	–2	–1	–734	–1,898	**–2,635**
Outstanding claims	–1	–1	–683	–12,679	**–13,364**
Claims adjustment provision	–	–	–18	–243	**–261**
TECHNICAL PROVISIONS	**–3**	**–2**	**–1,435**	**–14,820**	**–16,260**
Reinsurers' share of technical provisions					
Unearned premiums and remaining risks	–	–	291	304	**595**
Outstanding claims	–	1	202	2,381	**2,584**
REINSURERS' SHARE OF TECHNICAL PROVISIONS	**–**	**1**	**493**	**2,685**	**3,179**
Premiums earned, for own account					
Gross premium income	2	4	1,591	6,040	**7,637**
Ceded reinsurance premium	–	–	–641	–1,066	**–1,707**
Change in gross provision for unearned premiums	–2	–	–63	102	**37**
Reinsurers' share of change in unearned premiums	–	–	2	–17	**–15**
PREMIUMS EARNED, FOR OWN ACCOUNT	**0**	**4**	**889**	**5,059**	**5,952**
Claims incurred, for own account					
Claims paid	–1	–2	–763	–3,680	**–4,446**
Reinsurers' share	–	–	309	686	**995**
Claims handling expenses	–	–	–21	–166	**–187**
Change in provision for outstanding claims	–1	–	–137	1,293	**1,155**
Reinsurers' share	–	–	77	–40	**37**
CLAIMS INCURRED, FOR OWN ACCOUNT	**–2**	**–2**	**–535**	**–1,907**	**–2,446**

[1] Defined as result from 2013 and earlier.

Income Statement – Parent Company

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2014	2013
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	4,910	5,173
Ceded reinsurance premiums	3	–1,629	–1,750
Change in the gross provision for unearned premiums		107	82
Change in provision for unearned premiums, reinsurers' share		–30	–20
Total earned premium, for own account		3,358	3,485
Allocated investment return transferred from the non–technical account		179	55
Claims incurred, for own account	4		
Claims paid			
– Gross amount		–2,806	–2,716
– Reinsurers' share		869	728
Claims paid, for own account		–1,937	–1,988
Change in the provision for claims, for own account			
– Gross amount	4	597	2,672
– Reinsurers' share		42	–2,307
Total claims incurred, for own account		–1,298	–1,623
Operating costs	5	–1,208	–1,086
Other Operating costs	5	–	–2
Change in equalization provision	24	–3	–
OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT		1,028	829
NON-TECHNICAL ACCOUNT			
Balance of technical account		1,028	829
Investment income/expenses	9		
– Investment income	6	1,457	2,232
– Unrealized gains and losses	7	–528	65
– Investment expenses and charges	8	–175	–913
Investment income allocated to the technical account		–179	–55
Total investment income/expenses		575	1,329
Goodwill depreciation	11	–28	–28
Result before appropriations and taxes		1,575	2 130
Appropriations			
Change in accelerated depreciations		–	–800
Provision to safety reserve		3	10
Result before taxes		1,578	1,340
Taxes	10	–192	–74
NET INCOME FOR THE YEAR		1,386	1,266

Statement of Comprehensive Income – Parent Company

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2014	2013
Net income for the year		**1,386**	1,266
Other comprehensive income			
Items to be reclassified to income statement:			
– Change of fair value on bonds		**182**	–79
– Tax on items to be reclassified to income statement		**–40**	17
Items to be reclassified to income statement:			
– Change of fair value on bonds		**–91**	–114
– Tax on items reclassified to income statement		**20**	25
Other comprehensive income for the year, net of tax		**71**	–151
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,457**	1,115

Balance Sheet – Parent Company

DECEMBER 31 (MSEK)	Note	2014	2013
ASSETS			
Intangible assets	11		
Goodwill		22	170
Other intangible assets		80	63
Total intangible assets		102	233
Investment assets			
Land and buildings	12	12	13
Shares and participations in group companies	13	10,268	10,330
Shares and participations in associated companies		122	–
Other financial investments			
– Shares and participations	14, 18	494	399
– Bonds and other interest-bearing securities	15, 18	6,970	6,564
– Derivative financial instruments	16, 18	25	273
Total other financial investments		7,489	7,236
Deposits with cedents		604	557
Total investment assets		18,495	18,136
Reinsurers' share of technical provisions			
Provisions for unearned premiums	22	582	501
Claims outstanding	23	1,610	1,403
Total reinsurers' share of technical provisions		2,192	1,904
Debtors			
Debtors arising out of direct insurance operations		36	16
Debtors arising out of reinsurance operations		1,603	1,414
Current tax receivables		–	177
Deferred tax receivables	10	41	34
Other debtors	17	225	250
Total debtors		1,905	1,891
Other assets			
Tangible assets	19	37	40
Cash and bank balance		1,525	1,105
Total other assets		1,562	1,145
Prepayments and accrued income	18		
Accrued interest		90	87
Deferred acquisition costs	20	279	244
Other prepayments and accrued income		35	32
Total prepayments and accrued income		404	363
TOTAL ASSETS		24,660	23,672

Balance Sheet – Parent Company, cont.

DECEMBER 31 (MSEK)	Note	2014	2013
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		113	42
Retained earnings		2,157	2,468
Net income for the year		1,386	1,266
Total shareholders' equity		4,456	4,576
Untaxed reserves	21		
Accumulated accelerated depreciations		12	15
Safety reserve		10,447	10,447
Total untaxed reserves		10,459	10,462
Technical provisions			
Provisions for unearned premiums	22	1,691	1,488
Claims outstanding	23, 25	6,039	5,887
Equalization provision	24	89	86
Total technical provisions		7,819	7,461
Provisions for other risks and expenses			
Pension provisions	26	14	11
Current tax liabilies		9	–
Deferred tax liabilities	10	–	47
Other provisions		263	–
Total provisions for other risks and expenses		286	58
Deposits received from reinsurers		419	401
Creditors			
Creditors arising out of direct insurance operations		4	2
Creditors arising out of reinsurance operations		505	350
Derivative financial instruments	16, 18	494	–
Other creditors	18, 27	164	133
Total creditors		1,167	485
Accrued expenses and deferred income	18	54	229
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		24,660	23,672
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	28	6,748	6,691
Other pledged assets and comparable collaterals	28	–	–
Contingent liabilities	28	3,350	1,930
Commitments	28	31	49

Change in Shareholders' Equity – Parent Company

(MSEK)	Share Capital	Other Reserves [1]	Retained earnings [1]	Net profit/ loss for the year [1]	TOTAL SHAREHOLDERS' EQUITY
Amount January 1, 2014	**800**	**42**	**2,468**	**1,266**	**4,576**
Transfer of net result from previous year	–	–	1,266	–1,266	**0**
Comprehensive income					
Net profit/loss for the year	–	–	–	1,386	**1,386**
Other comprehensive income, net after tax					
Change of fair value on bonds	–	71	–	–	**71**
Total other comprehensive income	–	71	–	–	**71**
Total comprehensive income	–	71	–	1,386	**1,457**
Transactions with owners					
Dividend paid [2]	–	–	–1,577	–	**–1,577**
Total transactions with owners	–	–	–1,577	–	**–1,577**
AMOUNT DECEMBER 31, 2014	**800**	**113**	**2,157**	**1,386**	**4,456**
Amount January 1, 2013	800	193	3,192	932	5,117
Transfer of net result from previous year	–	–	932	–932	–
Comprehensive income					
Net profit/loss for the year	–	–	–	1,266	1,266
Other comprehensive income, net after tax					
Change of fair value on bonds	–	–151	–	–	–151
Total other comprehensive income	–	–151	–	–	–151
Total comprehensive income	–	–151	–	1,266	1,115
Transactions with owners					
Dividend paid [2]	–	–	–1,656	–	–1,656
Total transactions with owners	–	–	–1,656	–	–1,656
AMOUNT DECEMBER 31, 2013	800	42	2,468	1,266	4,576

[1] The columns Other reserves, Retained earnings and Net profit/loss for the year together represents the non-restricted shareholders' equity for the parent company.
[2] Dividend paid to the parent company Fund American Holdings AB. Dividend is equal to SEK 197 (SEK 207) per share.

Change in Shareholders' Equity – Parent Company, cont.

(MSEK)	2014	2013
SHARE CAPITAL		
Specified in number of shares		
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.		
OTHER RESERVES		
Fair value reserve		
Opening fair value reserve	54	247
Change for the year	91	−193
Closing fair value reserve	145	54
Tax on fair value reserves		
Opening tax on fair value reserves	−12	−54
Change for the year	−20	42
Closing tax on fair value reserve	−32	−12
Fair value reserve after tax		
Opening fair value reserve after tax	42	193
Change for the year	71	−151
CLOSING FAIR VALUE RESERVE AFTER TAX	**113**	42
RETAINED EARNINGS		
Opening retained earnings	2,468	3,192
Transfer of net result from previous year	1,266	932
Dividend paid	−1,577	−1,656
CLOSING RETAINED EARNINGS	**2,157**	2,468
NET PROFIT/LOSS FOR THE YEAR		
NET PROFIT/LOSS FOR THE YEAR	**1,386**	1,266

Cash flow Statement – Parent Company

(MSEK)	Note	2014	2013
Operating Activities			
Profit/loss before tax		1,574	2,130
Interest income		164	171
Interest expenses		–4	–2
Dividends received		756	1,667
Adjustment for non-cash items [1]		–598	-878
Income tax paid		–80	3
Cash flow from current operations before changes in assets and liabilities		1,812	3,091
Change in financial investments		–352	–137
Change in other operating receivables		–533	2 871
Change in other operating liabilities		–466	–5 242
Cash flow from operating activities		461	583
Financing activities			
Net investment of intangible assets		–48	–41
Net investments of tangible assets		–19	–11
Cash flow from investing activities		–67	–52
Investing activities			
Capital repayment		–4	–11
Dividend paid		–41	–161
Group contributions paid		–	–160
Cash flow from financing activities		–45	–332
CASH FLOW FOR THE YEAR		**349**	199
Cash and cash equivalents at beginning of year		1,105	955
Cash flow for the year		349	199
Translation difference on Cash and cash equivalents		71	–49
CASH AND CASH EQUIVALENTS AT END OF YEAR [2]		**1,525**	1,105
[1] *Specification of non-cash items:*			
Depreciations	11,12,19	202	83
Capital gains on foreign exchange	6	–450	–
Capital losses on foreign exchange	8	–	214
Capital gains	6	–158	–392
Capital losses	8	120	701
Unrealized gains	7	–228	–170
Unrealized losses	7	756	105
Interest income	6	–164	–171
Interest expenses	8	4	2
Dividends received	6	–756	–1,667
Change in provisions for outstanding claims	23	73	416
Pension provisions		4	1
Total		–598	–878
[2] *The following components are included in Cash and cash equivalents:*			
Cash and bank balances		273	315
Short term investments, equivalent to cash and cash equivalents		1,252	790
Total		1,525	1,105

Performance Analysis – Parent Company

(MSEK)	Direct Swedish risks – property	Direct Swedish risks – aviation	Direct foreign risks	Assumed reinsurance	TOTAL
ANALYSIS OF INSURANCE RESULT					
Technical result insurance operations					
Premiums earned, for own account	–	3	457	2,898	3,358
Allocated investment return transferred from the non-technical account	–	–	19	160	179
Claims incurred, for own account	–2	–2	–226	–1,068	–1,298
Operating costs	–	–	–258	–950	–1,208
Change of equalization provision	–	–	–	–3	–3
TECHNICAL RESULT OF INSURANCE OPERATION	–2	1	–8	1,037	1,028
Of which results from prior years, gross amounts [1]	*–*	*–1*	*–221*	*–740*	*–962*
Technical provisions					
Unearned premiums and remaining risks	–2	–1	–461	–1,227	–1,691
Outstanding claims	–1	–1	–334	–5,553	–5,889
Claims adjustment provision	–	–	–11	–139	–150
Equalization provision	–	–	–	–89	–89
TECHNICAL PROVISIONS	–3	–2	–806	–7,008	–7,819
Reinsurers' share of technical provisions					
Unearned premiums and remaining risks	–	–	179	403	582
Outstanding claims	–	1	61	1,548	1,610
REINSURERS' SHARE OF TECHNICAL PROVISIONS	–	1	240	1,951	2,192
Premiums earned, for own account					
Gross premium income	2	4	816	4,088	4,910
Ceded reinsurance premium	–	–1	–336	–1,292	–1,629
Change in gross provision for unearned premiums	–2	–	–21	130	107
Reinsurers' share of change in unearned premiums	–	–	–2	–28	–30
PREMIUMS EARNED, FOR OWN ACCOUNT	0	3	457	2,898	3,358
Claims incurred, for own account					
Claims paid	–1	–2	–397	–2,257	–2,657
Reinsurers' share	–	–	170	699	869
Claims handling expenses	–	–	–9	–140	–149
Change in provision for outstanding claims	–1	–	17	581	597
Reinsurers' share	–	–	–7	49	42
CLAIMS INCURRED, FOR OWN ACCOUNT	–2	–2	–226	–1,068	–1,298

[1] Defined as result from underwriting year 2013 and earlier.

Note 1 – *Accounting principles*

GENERAL INFORMATION

This annual report was issued per December 31, 2014 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, 2014 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

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.

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.

None of the IFRS standards that are mandatory for the first time regarding the accounting year beginning January 1, 2014 has had any significant impact on the P&L or Balance Sheet for the Group.

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 2014 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, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 which are related to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets; amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through P&L with the irrevocable option at the inception to present changes in fair value in OCI and no recycling is made at disposal of the instrument. There is now a new expected credit losses model that replaces the incurred loss impairment model. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through P&L. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

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, 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.

Note 1 – Cont.

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 March 5, 2015. The income statement and balance sheet will be adopted at the General Meeting held in May 2015.

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 at fair value 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, including 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	7.77	6.84
EUR	9.43	9.08
GBP	12.10	11.27

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

Note 1 – Cont.

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 incepted 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.

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 semi-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 2014 amounted to 2.69%.

Applied interest rates

%	2014	2013
EUR	7.31 %	1.68 %
GBP	6.65 %	1.96 %
SEK	4.44 %	0.80 %
USD	2.12 %	0.70 %

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.

Note 1 – Cont.

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 it useful life. An intangible asset with a finite useful life is amortized while an intangible asset with an indefinite useful life is not amortized but is tested annually for impairment. 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
- 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 intagible 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 losses 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 trough 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

Note 1 – Cont.

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.

Calculation of fair value

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, 2014 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.

Loans receivables and accounts receivables

Loans receivables and accounts receivables are non-derivative financial assets which are not listed on an active market and with fixed or determinable payments. These assets are measured at amortized cost. Amortized cost is determined by using the effective interest method at time of acquisition. Loans receivables and accounts receivables 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 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.

Note 1 – Cont.

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 caracteristics of the defined pension obligaton, 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 termination of employment 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 income statement on a straight-line basis over the estimated useful life of the asset. The estimated useful life is 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.

Note 1 – Cont.

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 fostering 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 all 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. The aim is 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/moderate risk taking and adequate capitalization
- Reduce risk by proper risk selection and active portfolio diversification
- All insurance transactions are expected to yield positive technical results
- Active use of retrocession as part of business and capital planning
- Positive investment returns through a diversified portfolio of high quality debt and equity investments
- 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 underwriting decision shall comprise the basics of 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, active use of retrocession 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 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

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

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 2013 and 2014.

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

	2014		2013	
	Once per 100 years	Once per 250 years	Once per 100 years	Once per 250 years
Global – Gross	4,345	5,054	3,691	4,243
Global – Net	3,923	4,687	3,242	3,605
Europe – Gross	3,192	4,063	3,026	3,987
Europe – Net	1,458	1,803	1,595	2,039
US – Gross	3,993	4,756	3,234	3,665
US – Net	3,846	4,573	3,134	3,558

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 Outstanding, 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 1,498 (1,240) net in the Group balance sheet. These claims are actively managed and are subject to in depth analyses, the latest during the second half of 2013. The increase during 2014 is to a large extent driven by changes in fx, but also by a negative runoff result.

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 2014. 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. 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.

GROUP

CLAIMS, GROSS UNDERWRITING YEAR	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Estimated claims:												
At the close of the calendar year		3,502	2,785	3,929	3,983	3,862	3,250	4,666	3,259	3,175	2,779	
1 year later		4,251	3,497	4,728	4,951	5,576	8,077	6,074	4,316	4,722		
2 years later		4,029	5,876	4,715	4,940	8,491	7,949	6,250	4,090			
3 years later		4,076	5,806	4,622	8,418	8,352	7,900	5,910				
4 years later		4,070	6,732	8,342	8,383	8,283	7,735					
5 years later		4,067	9,763	8,308	8,365	8,199						
6 years later		17,326	8,427	8,301	8,325							
7 years later		17,340	5,883	8,280								
8 years later		17,294	5,861									
9 years later		17,271										
Current estimate of total claims		17,271	5,861	8,280	8,325	8,199	7,735	5,910	4,090	4,722	2,779	
Total paid		16,891	5,577	7,998	7,991	7,908	7,153	5,496	3,246	2,672	569	
CLAIMS OUTSTANDING [1]	5,694	380	285	281	334	291	582	413	844	2,050	**2,210**	**13,364**

CLAIMS, NET OF REINSURANCE UNDERWRITING YEAR	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Estimated claims:												
At the close of the calendar year		2,905	2,488	3,476	3,644	3,336	2,663	4,197	2,999	2,277	1,986	
1 year later		3,562	3,159	4,214	4,364	4,330	7,353	5,686	3,717	3,301		
2 years later		3,354	3,272	4,175	4,315	7,375	7,126	5,645	3,453			
3 years later		3,418	3,243	4,083	8,072	6,971	7,084	5,308				
4 years later		3,412	3,215	7,992	7,357	6,908	6,914					
5 years later		3,409	5,736	7,620	7,244	6,842						
6 years later		9,442	5,480	7,243	7,214							
7 years later		9,078	5,428	7,220								
8 years later		8,959	5,406									
9 years later		8,860										
Current estimate of total claims		8,860	5,406	7,220	7,214	6,842	6,914	5,308	3,453	3,301	1,986	
Total paid		8,553	5,132	6,968	6,921	6,577	6,423	4,951	2,787	1,813	357	
CLAIMS OUTSTANDING [1]	4,757	307	274	253	293	265	490	357	666	1,488	**1,629**	**10,779**

PARENT COMPANY

CLAIMS , GROSS UNDERWRITING YEAR	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Estimated claims:												
At the close of the calendar year		3,502	2,785	3,929	3,983	3,862	3,250	2,291	2,100	2,367	1,846	
1 year later		4,251	3,497	4,728	4,951	5,576	4,927	3,378	2,763	3,260		
2 years later		4,029	5,876	4,715	4,940	5,318	4,770	3,219	2,616			
3 years later		4,076	5,806	4,622	4,861	5,238	4,742	3,042				
4 years later		4,070	6,732	4,601	4,867	5,201	4,647					
5 years later		4,067	7,357	4,587	4,848	5,146						
6 years later		4,056	6,084	4,585	4,805							
7 years later		4,054	3,542	4,589								
8 years later		4,043	3,540									
9 years later		4,042										
Current estimate of total claims		4,042	3,540	4,589	4,805	5,146	4,647	3,042	2,616	3,260	1,846	
Total paid		4,002	3,488	4,499	4,611	4,956	4,209	2,597	1,968	1,713	327	
CLAIMS OUTSTANDING [1]	727	40	51	90	195	190	438	445	648	1,547	**1,518**	**5,889**

CLAIMS, NET OF REINSURANCE UNDERWRITING YEAR	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Estimated claims:												
At the close of the calendar year		2,905	2,488	3,476	3,644	3,336	2,663	1,794	1,707	1,472	1,212	
1 year later		3,562	3,159	4,214	4,364	4,330	4,071	2,544	2,115	2,054		
2 years later		3,354	3,272	4,175	4,315	4,110	3,927	2,424	1,952			
3 years later		3,418	3,243	4,083	4,232	4,104	3,903	2,249				
4 years later		3,412	3,215	4,057	4,246	4,077	3,791					
5 years later		3,409	3,207	4,045	4,233	4,024						
6 years later		3,398	3,198	4,045	4,191							
7 years later		3,395	3,198	4,051								
8 years later		3,386	3,199									
9 years later		3,384										
Current estimate of total claims		3,384	3,199	4,051	4,191	4,024	3,791	2,249	1,952	2,054	1,212	
Total paid		3,348	3,156	3,985	4,058	3,891	3,458	1,862	1,482	1,047	198	
CLAIMS OUTSTANDING [1]	653	37	44	66	134	133	333	387	470	1,007	**1,015**	**4,279**

[1] 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

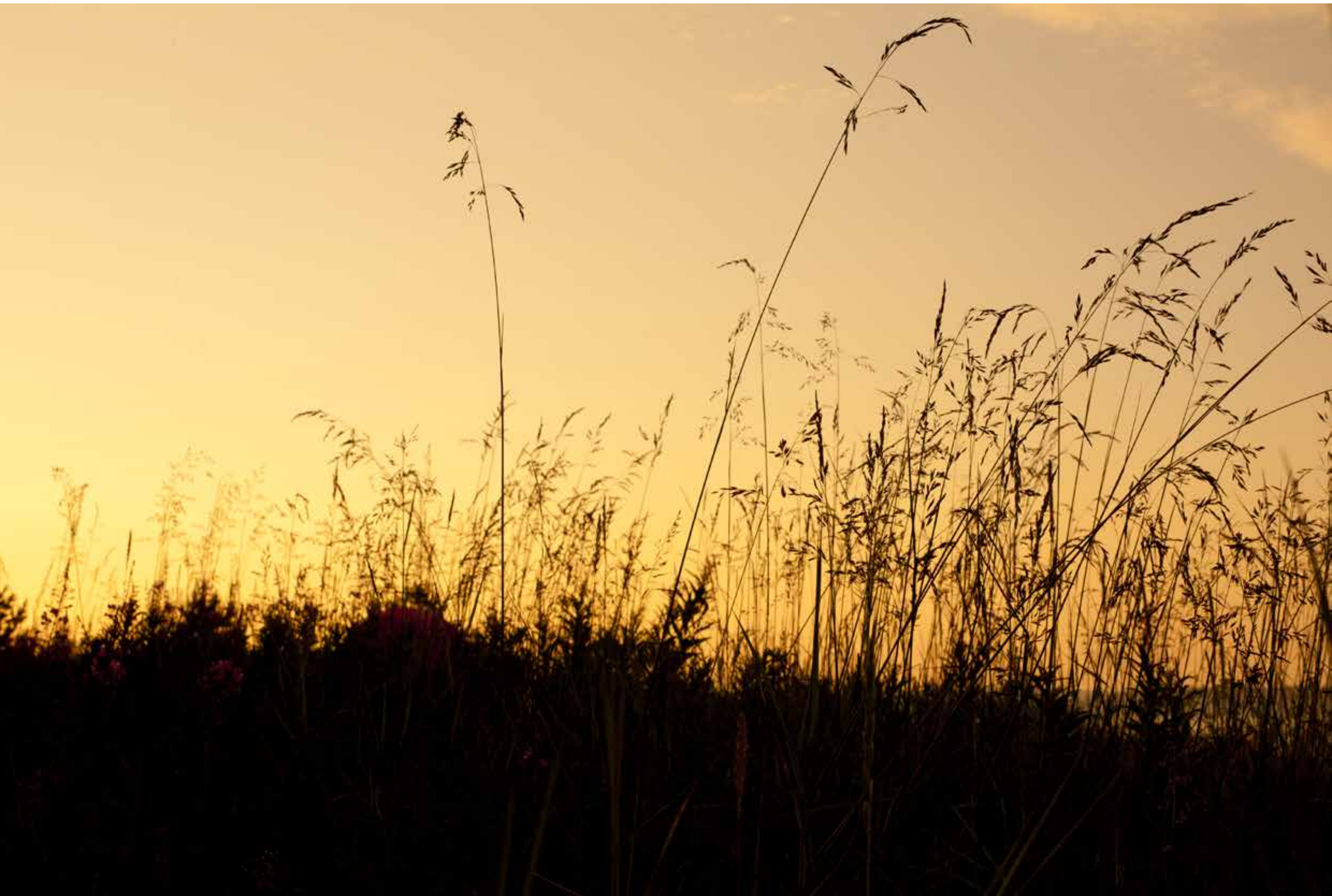
Market risk is the risk that an actual value on current or future cash flows from a financial instrument varies due to changes in market prices and due to changes in their respective volatilities. There are three types of market risk: interest rate risk, currency risk and other price risk, primarily 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 CFO's 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 2014 yielded a total return of 4.7 percent (3.6 percent in 2013), expressed in SEK. The duration in the portfolio with interest-bearing investments at the end of 2014 was 2.1 years which was slightly lower compared to 2013 (2.2 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	
	2014	2013	2014	2013
Bonds and other interest-bearing securities	68.02	72.67	35.77	34.60
Shares in associated companies	0.46	–	53.31	54.46
Shares and participations	19.44	17.58	2.53	2.10
– whereof venture capital companies	*1.73*	*2.79*	*0.50*	*0.40*
Derivatives	0.09	1.17	0.13	1.44
Cash and bank balances	11.99	8.57	8.26	7.40
TOTAL	**100.00**	100.00	**100.00**	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, 2014 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, 2014 and December 31, 2013.

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

	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
GROUP	2014	2013	2014	2013	2014	2013
Assets in SEK	2,506	3,049	100 bp	100 bp	60	77
Assets in EUR	1,540	1,492	100 bp	100 bp	40	41
Assets in USD and other currencies	13,889	12,394	100 bp	100 bp	297	263
TOTAL	17,935	16,935			397	381

	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
PARENT COMPANY	2014	2013	2014	2013	2014	2013
Assets in SEK	2,056	2,059	100 bp	100 bp	53	56
Assets in EUR	1,540	1,467	100 bp	100 bp	40	40
Assets in USD and other currencies	3,374	3,038	100 bp	100 bp	102	83
TOTAL	6,970	6,564			195	179

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, 2014 and December 31, 2013.

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

	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
GROUP	2014	2013	2014	2013	2014	2013
Foreign shares and participations	5,186	4,097	35 %	35 %	1,815	1,434
Foreign subsidiaries and associated companies	122	–	35 %	–	43	–
TOTAL	5,308	4,097			1,858	1,434

	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
PARENT COMPANY	2014	2013	2014	2013	2014	2013
Foreign shares and participations	3,544	2,027	35 %	35 %	1,240	709
Foreign subsidiaries and associated companies	7,103	5,854	35 %	35 %	2,487	2,049
Total	10,647	7,881			3,727	2,758

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

	2014				2013			
GROUP	USD	EUR	GBP	Other	USD	EUR	GBP	Other
Shares and participations	5,230	15	–	–	3,937	29	–	–
Bonds and other interest-bearing securities	12,837	1,505	1,315	264	11,940	1,519	633	294
Other financial investment assets	2,328	156	34	285	1,282	164	18	315
Other assets and liabilities, net	2,716	−121	74	128	2,141	159	7	128
Total assets	**23,111**	**1,555**	**1,423**	**677**	19,300	1,871	658	737
Technical provisions, net	−10,500	−1,372	−260	−503	-9,379	-1,475	-264	-498
Total liabilities and provisions	**−10,500**	**−1,372**	**−260**	**−503**	-9,379	-1,475	-264	-498
Net exposure before financial hedging with derivatives	12,611	183	1,163	174	9,921	396	394	239
Nominal value currency forwards	−4,666	−6	–	–	−3,860	−5	–	–
NET EXPOSURE AFTER FINANCIAL HEDGING WITH DERIVATIVES	**7,945**	**177**	**1,163**	**174**	6,061	391	394	239

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
2014	Change 25 basis points	256	5	24	–	**285**
2014	Change 10%	795	18	116	17	**946**
2013	Change 25 basis points	236	11	9	–	256
2013	Change 10%	606	39	39	24	708

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 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 others 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, 2014 and December 31, 2013.

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

	EXPOSURE (MSEK)		AVERAGE CREDIT SPREAD		SCENARIO IMPACT		CAPITAL REQUIREMENTS (MSEK)	
GROUP	2014	2013	2014	2013	2014	2013	2014	2013
Assets with Credit risk – all currencies	13,087	12,040	0.94	1.02	−3.0 %	−2.9 %	397	343

	EXPOSURE (MSEK)		AVERAGE CREDIT SPREAD		SCENARIO IMPACT		CAPITAL REQUIREMENTS (MSEK)	
PARENT COMPANY	2014	2013	2014	2013	2014	2013	2014	2013
Assets with Credit risk – all currencies	4,523	3,621	1.07	1.12	−4.5 %	−4.1 %	205	147

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	
	2014	2013	2014	2013
Bonds and other interest-bearing assets	18,148	16,935	6,970	6,564
– Governments	*3,236*	*4,365*	*1,896*	*2,925*
– Swedish mortgage institutions	*486*	–	*386*	–
– Other Swedish issuers	–	*466*	–	*366*
– Other issuers	*14,426*	*12,104*	*4,688*	*3,273*
Shares in associated Companies	122	–	10,390	10,330
Shares and participations	5,186	4,097	494	399
Derivatives	25	273	25	273
TOTAL	23,481	21,305	17,879	17,566

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 2014

Name of security	Type of security	Market value (MSEK)	% of financial assets
Symetra Financial Corporation	Share	2,016	8.36
OneBeacon Insurance Group	Share	923	3.83
Swedbank Hypotek AB	Bond	491	2.03
Discover Card Master Trust		322	1.33
Total Capital Canada Ltd	Bond	287	1.19
Ford Credit Floor Plan Master	Bond	284	1.18
Ironshore Holding	Share	280	1.16
Santander	Bond	269	1.11
Chase Issuance Trust	Bond	258	1.07
American Express Credit Master	Bond	256	1.06
Total		**5,386**	**22.32**

PARENT COMPANY 2014

Name of security	Type of security	Market value (MSEK)	% of financial assets
WM Phoenix (Luxembourg) S.à r.l.	Shares in Subsidiary	6,158	33.29
S.I. Holdings (Luxembourg) S.à r.l.	Shares in Subsidiary	3,809	20.59
Swedbank Hypotek AB	Bond	386	2.09
Sirius International Holdings (NL) B.V.	Shares in Subsidiary	269	1.45
Total Capital Canada Ltd	Bond	222	1.20
BE Reinsurance Ltd	Shares in Associated Company	122	0.66
MLSSS Ltf	Share	67	0.36
GE Mortgage Securities Trust	Bond	65	0.35
Porsche	Bond	65	0.35
Coventry Bldg Society	Bond	61	0.33
TOTAL		**11,224**	**60.67**

Note 2 – Cont.

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 Derivative	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	151	0.69
TOTAL		4,008	18.28

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
TOTAL		10,995	60.61

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, %

	2014							2013						
GROUP 2013	AAA	AA	A	BBB	CCC	Not rated	TOTAL	AAA	AA	A	BBB	CCC	Not rated	TOTAL
Bonds and other interest-bearing securities	22	26	18	33	–	1	100	29	23	18	29	1	1	100
– Swedish government	*100*	–	–	–	–	–	*100*	*100*	–	–	–	–	–	*100*
– Swedish mortgage institutions	*100*	–	–	–	–	–	*100*	*100*	–	–	–	–	–	*100*
– Other Swedish institutions	*0*	–	–	–	–	–	*0*	*0*	–	–	–	–	–	*0*
– Foreign governments	*20*	*78*	*1*	*1*	–	–	*100*	*24*	*76*	–	–	–	–	*100*
– Other foreign issuers	*13*	*24*	*22*	*40*	–	*1*	*100*	*17*	*18*	*24*	*39*	*1*	*1*	*100*

EQUITY INVESTMENTS, DIVIDED BY GEOGRAPHICAL AREA, %

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Western Europe	3.88	2.15	7.61	10.50
North America	95.84	89.74	92.26	89.34
Other	0.28	8.11	0.13	0.16
TOTAL	100	100	100	100

INTEREST-BEARING INVESTMENTS, DIVIDED BY GEOGRAPHICAL AREA, %

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Western Europe	17.93	16.77	40.50	32.13
North America	71.20	69.22	34.37	35.89
Scandinavia	9.46	13.77	21.49	0.61
Other	1.41	0.24	3.64	31.37
TOTAL	100	100	100	100

INTEREST-BEARING INVESTMENTS, DIVIDED BY SECTOR, %

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Governments	18.04	26.52	27.20	44.57
Swedish mortgage institutions	2.71	2.83	5.54	5.58
Other Swedish issuers	0	0	0	0
Other foreign issuers	79.25	70.65	67.26	49.85
TOTAL	100	100	100	100

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 bi-annually and periodically monitored.

The credit risk reserve for bad debts amounted, as per December 31, 2014, to MSEK 73 for the Group, whereof MSEK 31 at Sirius International (2013 MSEK 60 for the Group, MSEK 30 at Sirius International).

Ageing balances

Receivables related to 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 requirements for bad debts provisions.

Note 2 – Cont.

GROUP	Due for	<1 Month	1-3 Months	4-6 Months	7-9 Months	10-12 Months	>1 Year	TOTAL
2014	Net receivables	644	82	32	6	2	103	**869**
2013	Net receivables	538	66	26	5	3	91	729

PARENT COMPANY	Due for	<1 Month	1–3 Months	4–6 Months	7–9 Months	10–12 Months	>1 Year	TOTAL
2014	Net receivables	149	33	23	2	1	40	**248**
2013	Net receivables	124	23	18	2	2	58	227

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 7 (6) at December 31, 2014.

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 & POOR'S OR EQUIVALENT

	2014				2013			
GROUP	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	0	0	0	0	392	0	392	14
AA+	446	0	446	14	0	0	0	0
AA	264	7	257	8	454	17	437	17
AA-	357	12	344	11	108	10	98	4
A+	449	17	432	14	308	0	308	11
A	263	7	257	8	159	7	152	6
A-	495	28	467	16	434	0	434	16
BBB+	82	0	82	3	149	0	149	5
BBB or lower	304	96	208	10	312	101	211	11
Special approval	519	147	372	16	425	75	350	16
TOTAL	**3,179**	**314**	**2,865**	**100**	2,741	210	2,531	100

	2014				2013			
PARENT COMPANY	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	0	0	0	0	0	0	0	0
AA+	0	0	0	0	0	0	0	0
AA	240	7	233	11	238	9	230	13
AA-	199	12	187	9	108	10	98	6
A+	321	0	321	15	308	0	308	16
A	210	0	210	10	47	0	47	2
A-	512	0	512	23	497	0	497	26
BBB+	78	0	78	4	148	0	148	8
BBB or lower	113	0	113	5	133	0	133	7
Special approval	519	147	372	23	425	74	350	22
TOTAL	**2,192**	**166**	**2,026**	**100**	1,904	93	1,811	100

Note 2 – Cont.

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' 2014 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

	2014				2013			
PARENT COMPANY	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AA+	0	0	0	0	0	0	0	0
AA	148	0	148	3	231	0	231	7
AA-	1,016	0	1,016	23	705	0	705	21
A+	2,105	33	2,072	47	1,364	0	1,364	41
A	142	0	142	3	72	0	72	2
A-	378	0	378	9	199	21	178	6
BBB+	87	19	68	2	83	8	75	2
BBB or lower	39	42	−3	0	67	34	33	2
Special approval	760	186	574	13	630	124	506	19
TOTAL	**4,675**	**280**	**4,395**	**100**	3,351	187	3,164	100

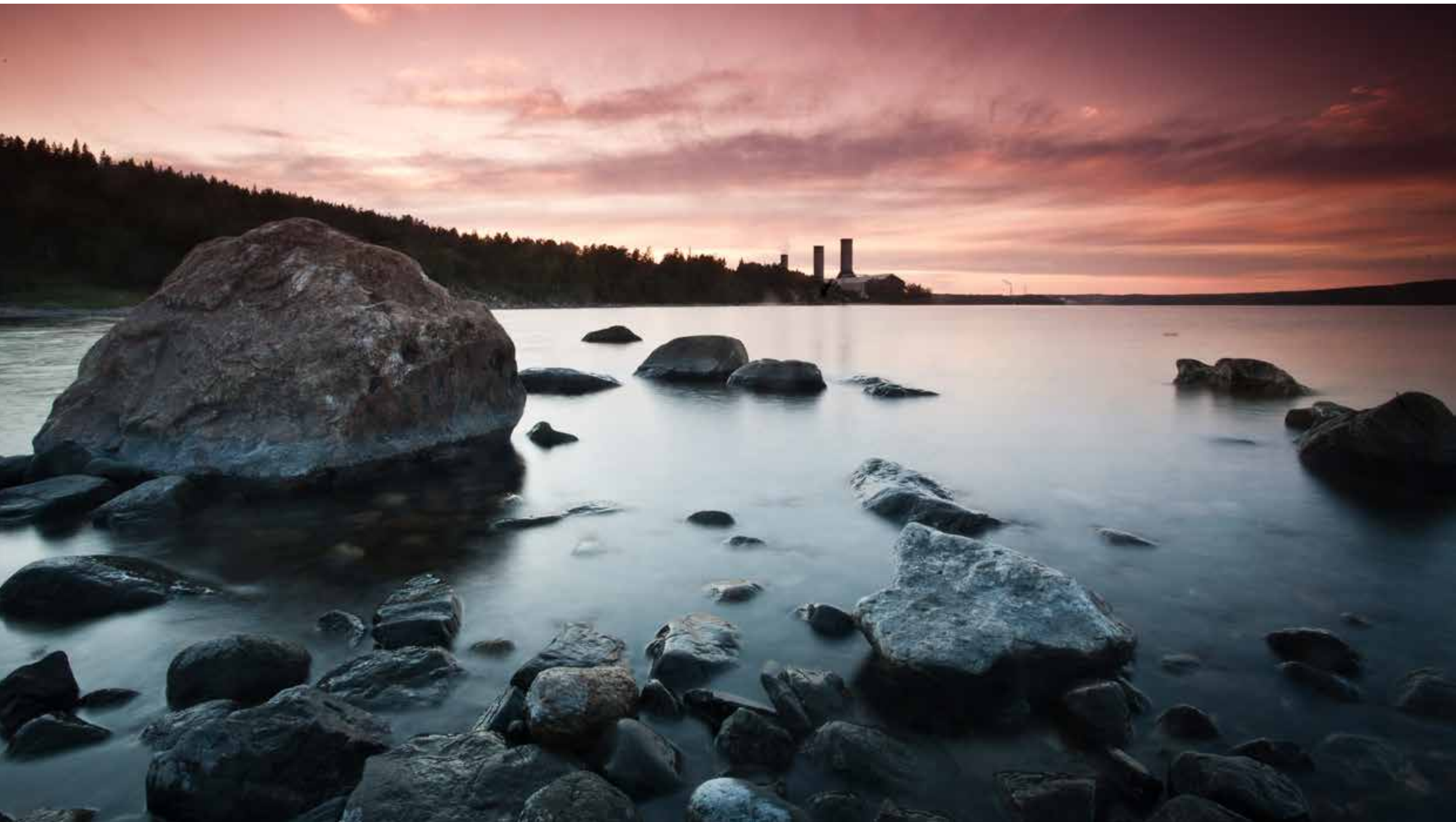
LIQUIDITY RISK

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 2014 the duration of interest-bearing investment assets was 2.1 years (2.2 years at the end of 2013) and the duration of insurance liabilities was 5.0 years (4.5 years at the end of 2013). 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)

GROUP 2014	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities (discounted amounts)	–	853	1,971	8,228	6,883	–	17,935
Shares & participations in Group companies	–	–	–	–	–	122	122
Shares & participations	–	–	–	–	–	5,186	5,186
Cash & bank balances	3,198	–	–	–	–	–	3,198
Receivables, direct insurance	–	148	–	–	–	44	192
Receivables, reinsurance	–	659	1,532	40	–	72	2,303
Other debtors	–	–	114	84	22	–	220
Prepayments and accrued income	–	–	188	1	–	–	189
TOTAL	3,198	1,660	3,805	8,353	6,905	5,424	29,345

GROUP 2013	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
TOTAL	1,998	763	3,118	9,376	5,441	4,165	24,861

LIQUIDITY PROFILE – FINANCIAL ASSETS (CONTRACTUAL INFLOWS)

PARENT COMPANY 2014	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities (discounted amounts)	–	619	1,010	3,031	2,310	–	6,970
Shares & participations in Group companies	–	–	–	–	–	10,390	10,390
Shares & participations	–	–	–	–	–	494	494
Cash & bank balances	1,525	–	–	–	–	–	1,525
Receivables, direct insurance	–	–	–	–	–	36	36
Receivables, reinsurance	–	183	1,376	40	–	5	1,604
Other debtors	–	–	4	61	–	160	225
Prepayments and accrued income	–	–	124	1	–	–	125
TOTAL	1,525	802	2,514	3,133	2,310	11,085	21,369

PARENT COMPANY 2013	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
TOTAL	1,105	86	2,134	4,296	1,680	10,896	20,197

Note 2 – Cont.

LIQUIDITY PROFILE – FINANCIAL DEBTS (CONTRACTUAL OUTFLOWS)

GROUP 2014	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	97	–	–	8	105
Payables, reinsurance	–	–	348	–	–	109	457
Other creditors	–	–	193	2	14	–	209
Accrued expenses and deferred income	–	–	348	135	22	6	511
TOTAL	–	–	986	137	36	123	1,282

GROUP 2013	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
TOTAL	–	1	686	100	30	118	935

PARENT COMPANY 2014	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	–	–	–	4	4
Payables, reinsurance	–	–	396	–	–	109	505
Other creditors	–	–	122	–	14	43	179
Accrued expenses and deferred income	–	–	238	73	–	6	317
TOTAL	–	–	756	73	14	162	1,005

PARENT COMPANY 2013	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
TOTAL	–	–	507	57	–	150	714

LIQUIDITY PROFILE – TECHNICAL PROVISIONS

Estimated claim payments, net, excluding ULAE

	GROUP					PARENT COMPANY				
	<3 months	3 months – 1 year	1–5 year	>5 year	TOTAL	<3 months	3 months – 1 year	1–5 year	>5 year	TOTAL
2014	812	2,485	4,348	4,115	11,760	403	1,247	2,013	1,230	4,893
2013	791	2,397	4,429	3,466	11,083	418	1,276	2,081	1,122	4,897

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 targetss
- 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 2014 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, 2014 and 2013.

TOTAL CAPITAL REQUIREMENT ACCORDING TO THE TRAFFIC LIGHT MODEL

	2014	2013
Total capital net requirement	4,215	3,256
Capital buffer	16,528	14,889
SURPLUS	**12,313**	11,633

FINANCIAL STRENGTH RATING

The financial strength of Sirius has during 2014 been rated by Standard & Poor's and A. M. Best.

	2013		2012	
GROUP AND PARENT COMPANY	S&P 1)	A.M. Best 2)	S&P 1)	A.M. Best 2)
Financial Strength Rating	A–	A	A–	A
Outlook	Stable	Stable	Stable	Stable

1) "A-" is the seventh highest of twenty-one financial strength ratings assigned by Standard & Poor's.

2) "A" is the third highest of fifteen financial strength ratings assigned by A.M. Best.

Note 3 – *Premium income*

PREMIUM INCOME, GEOGRAPHICAL ALLOCATION

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Direct insurance, Sweden	6	5	6	4
Direct insurance, other EES	249	355	130	170
Direct insurance, other countries	1,342	925	686	625
Premiums for assumed reinsurance	6,040	6,160	4,088	4,374
Premium income before ceded reinsurance	**7,637**	7,445	**4,910**	5,173
Premium for ceded reinsurance	−1,707	−1,716	−1,629	−1,750
PREMIUM INCOME AFTER CEDED REINSURANCE	**5,930**	5,729	**3,281**	3,423

Note 4 – *Claims incurred, for own account*

CLAIMS INCURRED FOR THE YEAR'S OPERATIONS

GROUP	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Claims paid	−526	149	−377	−486	150	−336
Loss portfolios	43	0	43	35	0	35
Change in provision for incurred and reported claims	−1,142	361	−781	−1,366	522	−844
Change in provision for incurred but not reported claims (IBNR)	−909	197	−712	−970	164	−806
Claims handling expenses	−186	0	−186	−183	0	−183
TOTAL CLAIMS INCURRED FOR THE YEAR'S OPERATIONS	**−2,720**	**707**	**−2,013**	−2,970	836	−2,134

CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS

GROUP	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Claims paid	−3,917	841	−3,076	−4,258	681	−3,577
Loss portfolios	−47	5	−42	−43	30	−13
Change in provision for incurred and reported claims	1,660	-336	1,324	1,468	-432	1,036
Change in provision for incurred but not reported claims (IBNR)	1,546	−186	1,360	4,709	2,769	1,940
TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS	**−758**	**324**	**−434**	1,876	−2,490	−614
TOTAL CLAIMS INCURRED	**−3,478**	**1,031**	**−2,447**	−1,094	− 1,654	−2,748

TOTAL CLAIMS PAID

GROUP	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Claims paid	−4,443	990	−3,453	−4,744	831	−3,913
Loss portfolios	−4	5	1	-8	30	22
Claims handling expenses	−186	0	−186	−183	0	−183
TOTAL CLAIMS PAID	**−4,633**	**995**	**−3,638**	−4,935	861	−4,074

Note 4 – Cont.

CHANGE IN PROVISION FOR OUTSTANDING CLAIMS

GROUP	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Change in provision for incurred and reported claims	518	25	543	102	90	192
Change in provision for incurred but not reported claims (IBNR)	637	11	648	3,739	−2,605	1,134
TOTAL CHANGE IN PROVISIONS FOR OUTSTANDING CLAIMS	1,155	36	1,191	3,841	−2,515	1,326

CLAIMS INCURRED FOR THE YEAR'S OPERATIONS

PARENT COMPANY	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Claims paid	−355	123	−232	−366	147	−219
Loss portfolios	43	0	43	35	0	35
Change in provision for incurred and reported claims	−932	335	−597	−1,246	522	−724
Change in provision for incurred but not reported claims (IBNR)	−505	154	−351	−544	144	−400
Claims handling expenses	−149	0	−149	−141	0	−141
TOTAL CLAIMS FOR THE YEAR'S OPERATIONS	−1,898	612	−1,286	−2,262	813	−1,449

CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS

PARENT COMPANY	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Claims paid	2,298	740	−1,558	−2,201	550	−1,651
Loss portfolios	−47	6	−41	−43	31	−12
Change in provision for incurred and reported claims	1,187	−295	892	1,002	−292	710
Change in provision for incurred but not reported claims (IBNR)	847	−152	695	3,460	−2,681	779
TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS	−311	299	−12	2,218	−2,392	−174
TOTAL CLAIMS INCURRED	−2,209	911	−1,298	−44	−1,579	−1,623

TOTAL CLAIMS PAID

PARENT COMPANY	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Claims paid	−2,653	863	−1,790	−2,567	697	−1,870
Loss portfolios	−4	6	2	−8	31	23
Claims handling expenses	−149	0	−149	−141	0	−141
TOTAL CLAIMS PAID	−2,806	869	−1,937	−2,716	728	−1,988

CHANGE IN PROVISION FOR OUTSTANDING CLAIMS

PARENT COMPANY	2014 Gross	2014 Ceded	2014 Net	2013 Gross	2013 Ceded	2013 Net
Change in provision for incurred and reported claims	255	40	295	−244	230	−14
Change in provision for incurred but not reported claims (IBNR)	342	2	344	2,916	−2,537	379
TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS	597	42	639	2,672	−2,307	365

Note 5 – *Operating costs*

SPECIFICATION OF INCOME STATEMENT ITEM OPERATING COSTS

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Acquisition costs	−1,711	−1,538	−973	−952
Change in prepaid acquisition costs (+/-)	10	12	−9	−21
Administrative expenses	−898	−887	−570	−541
Provisions and profit shares in ceded reinsurance (-)	381	436	344	428
TOTAL OPERATING COSTS	**−2,218**	−1,977	**−1,208**	−1,086

OTHER OPERATING COSTS

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Operating costs	−2,218	−1,977	−1,208	−1,086
Claims handling expenses included in claims paid	−186	−183	−149	−140
Asset management costs included in Investment expenses	−89	−86	−48	−43
Expenses for land and buildings included in Investment expenses, net	−3	−2	−3	−2
Other operating costs	−53	−43	–	−2
TOTAL OTHER OPERATING COSTS	**−2,549**	−2,292	**−1,408**	−1,273

TOTAL OPERATING COSTS PER TYPE

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Direct and indirect personnel costs	−816	−752	−547	−492
Premises costs	−68	−67	−46	−44
Depreciation/amortization	−59	−59	−55	−56
Other expenses related to operations	−1,607	−1,413	−760	−681
TOTAL OTHER OPERATING COSTS	**−2,549**	−2,292	**−1,408**	−1,273

Note 6 – *Investment income*

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Dividend income from:				
Foreign shares and participations	208	88	756	1,667
Interest income				
Bonds and other interest-bearing securities	326	344	146	154
Other interest income	38	64	18	19
– of which from financial assets not valued at fair value with changes in value reported in the income statement	–	–	–	–
Capital gains on foreign exchange, net	316	–	379	–
Capital gains and reversed write-downs (net)				
Foreign shares	142	264	15	130
Group and associated companies	4	99	–	–
Interest-bearing securities	136	119	91	114
Derivatives	52	148	52	148
TOTAL RETURN ON CAPITAL, INCOME	**1,222**	1,126	**1,457**	2,232

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

Note 7 – *Unrealized gains and losses on investments*

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Foreign shares and participations	332	614	–14	–52
Bonds and other interest-bearing securities	–14	–128	–	–
Derivative financial instruments	–742	–53	–742	–53
Gain on Currency	512	149	228	170
TOTAL UNREALIZED GAINS AND LOSSES ON INVESTMENTS	**88**	582	**–528**	65

Note 8 – *Investment expenses and charges*

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Operating expenses for land and buildings	–3	–2	–3	–2
Asset management costs	–89	–86	–48	–43
Interest expenses				
Other interest expenses	–4	–2	–4	–2
Capital losses on foreign exchange, net	–	–165	–	–165
Capital losses				
Group and associated companies	–	–	–	–701
Goodwill impairment	–264	–	–120	–
TOTAL	**–360**	–255	**–175**	–913

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

FINANCIAL ASSETS

GROUP 2014	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	643	–	–	–	643
Derivative financial instruments	–	96	–	–	96
Bonds and other interest-bearing securities	143	–	342	–	485
Deposits with cedants	–	–	–	13	13
Cash and bank balance	–	–	–	6	6
TOTAL	786	96	342	19	1,243

PARENT COMPANY 2014	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	757	–	–	–	757
Derivative financial instruments	–	52	–	–	52
Bonds and other interest-bearing securities	–	–	342	–	342
Deposits with cedants	–	–	–	11	11
Cash and bank balance	–	–	–	7	7
TOTAL	757	52	342	18	1,169

GROUP 2013	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
TOTAL	792	148	92	29	1,061

PARENT COMPANY 2013	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
TOTAL	1,745	148	92	19	2,004

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/losses amount to 137 (-83) for the Group, of which 514 (-168) refer to exchange rate gains/losses on financial assets. Exchange rate gains/losses on liabilities and other assets amount to -377 (85).

Note 10 – *Taxes*

INCOME TAX RECOGNIZED IN INCOME STATEMENT

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Current tax expenses	–279	–79	–234	–97
Current tax adjustment attributable to previous years	20	–9	–	1
Deferred taxes	–239	–316	42	22
TOTAL TAX EXPENSE (–)/REVENUE (+)	**–498**	–404	**–192**	–74

RECONCILIATION OF EFFECTIVE TAX

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

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Tax according to applicable tax rate for the Parent Company	–22 %	–22 %	–22 %	–22 %
Effects of foreign tax rates	–2.6 %	–2.5 %	–	–
Effects from change in tax rates	0.1 %	–0.1 %	–	–
Tax effect from non-deductible expenses	–4.6 %	–7.2 %	–2.2 %	–12.1 %
Tax effect from non-taxable income	6.0 %	13.7 %	12.0 %	27.9 %
Current tax regarding previous years	–0.1 %	–0.2 %	–	–
Recognition of tax loss carry-forwards related to previous years and timing differences	0.4 %	1.2 %	–	0.7 %
REPORTED EFFECTIVE TAX	**–22.8 %**	–17.1 %	**–12.2 %**	–5.5 %

REPORTED DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

GROUP	DEFERRED TAX ASSETS 2014	DEFERRED TAX ASSETS 2013	DEFERRED TAX LIABILITIES 2014	DEFERRED TAX LIABILITIES 2013	NET 2014	NET 2013
Personnel-related provisions	67	53	–	–	67	53
Timing difference on recognition of underwriting result	208	211	–	–	208	211
Other provisions	40	10	–73	–57	–33	–47
Surplus value of securities	–	–	–270	–199	–270	–199
Safety reserve and accelerated depreciation	–	4	–2,307	–2,306	–2,307	–2,302
Tax loss carry-forwards	2,190	2,268	–	–	2,190	2,268
DEFERRED TAX BALANCES	**2,505**	2,546	**–2,650**	–2,562	**–145**	–16
Netting of deferred assets/liabilities	–362	–222	362	222	–	–
DEFERRED TAX BALANCES, NET	**2,143**	2,324	**–2,288**	2,340	**–145**	–16

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 2014	DEFERRED TAX ASSETS 2013	DEFERRED TAX LIABILITIES 2014	DEFERRED TAX LIABILITIES 2013	NET 2014	NET 2013
Personnel-related provisions	33	26	–	–	33	26
Other provisions	8	8	–	–	8	8
Surplus value of securities	–	–	–	–47	–	–47
DEFERRED TAX BALANCES	**41**	34	**–**	–47	**41**	–13

Note 10 – Cont.

UNRECOGNIZED DEFERRED TAX ASSETS

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

CHANGES IN DEFERRED TAX

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Opening balance	−16	246	−13	−78
Acquisition of subsidiaries	–	6	–	–
Recognized in income statement	−239	−316	42	22
Recognized in other comprehensive income	12	48	12	43
Tax loss carry−forwards	98	–	–	–
CLOSING BALANCE	−145	−16	41	−13

Taxes recognized in other comprehensive income mainly refer to available-for-sale financial assets 12 (44).

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
Accumulated acquisition value							
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	−1	–	–	–
CLOSING BALANCE DECEMBER 31, 2013	209	572	102	883	209	460	669
Opening balance January 1, 2014	209	572	102	883	209	460	669
Acquisition for the year	48	–	–	48	48	–	48
Disposal for the year	0	−485	−2	−487	0	−373	−373
Currency revaluation effect	–	–	20	20	–	–	–
CLOSING BALANCE DECEMBER 31, 2014	257	87	120	464	257	87	344
Accumulated amortization and impairment							
Opening balance January 1, 2013	−114	−281	–	−395	−114	−261	−375
Depreciation for the year	−32	–	–	−32	−32	−28	−60
CLOSING BALANCE DECEMBER 31, 2013	−146	−281	–	−427	−146	−289	−435
Opening balance January 1, 2014	−146	−281	–	−427	−146	−289	−435
Depreciation for the year	−31	–	–	−31	−31	−29	−60
Impairment for the year	–	−265	−2	−267	–	−120	−120
Disposal for the year	0	485	–	485	0	373	373
CLOSING BALANCE DECEMBER 31, 2014	−177	−61	−2	−240	−177	−65	−242
Carrying amount							
Per January 1, 2013	54	291	69	415	54	199	253
PER DECEMBER 31, 2013	63	291	102	456	63	170	233
Per January 1, 2014	63	291	102	456	63	170	233
PER DECEMBER 31, 2014	80	26	118	224	80	22	102

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
Amortization and impairment for the year is included in the following rows of the income statement for 2013:							
Operating costs	−32	–	–	−32	−32	–	−32
Other costs	–	–	–	–	–	−28	−28
TOTAL	−32	–	–	−32	−32	−28	−60
Amortization for the year is included in the following rows of the income statement for 2014:							
Operating costs	**−31**	**–**	**–**	**−31**	**−31**	**–**	**−31**
Other costs	**–**	**–**	**−2**	**−2**	**–**	**−29**	**−29**
Investment expenses	**–**	**−265**	**–**	**−265**	**–**	**−120**	**−120**
TOTAL	**−31**	**−265**	**−2**	**−298**	**−31**	**−149**	**−180**

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, in the insurance operations, based on historical and future earning patterns. The forecasted profit margin is currently equal to a combined ratio of approximately 95%. Additional charges for cost of capital have been added representing deployed capital. The discount rate has been determined based on a market rate of return, i.e. WACC. During the year a review of used parameters has been made which has led to impairment of acquisition goodwill of MSEK 265 in the Group and MSEK 120 in the Parent Company.

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 vaule by an independent advisory firm and are deamed to have an indefinite useful life and are tested annually for impairment.

For the Group, no depreciation is made on goodwill. For further information regarding depreciation, see Note 1, Accounting principles.

Note 12 – *Land and buildings*

GROUP AND PARENT COMPANY	
Accumulated acquisition cost	
Opening balance January 1, 2013	30
Acquisitions	1
CLOSING BALANCE DECEMBER 31, 2013	31
Opening balance January 1, 2014	**31**
Acquisitions	**1**
CLOSING BALANCE DECEMBER 31, 2014	**32**
Accumulated depreciation	
Opening balance January 1, 2013	-17
Depreciation for the year	-1
CLOSING BALANCE DECEMBER 31, 2013	-18
Opening balance January 1, 2014	**-18**
Depreciation for the year	**-2**
CLOSING BALANCE DECEMBER 31, 2014	**-20**
Carrying amount	
Per January 1, 2013	13
PER DECEMBER 31, 2013	13
Per January 1, 2014	**13**
PER DECEMBER 31, 2014	**12**

The Parent Company holds three properties, located in Sweden and Belgium. Sirius 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, %	
		2014	2013
Passage2Health Ltd.	London, Great Britain	100	100
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	100
Sirius International Managing Agency Ltd.	London, Great Britain	100	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	
	2014	2013
Accumulated acquisition cost		
Beginning of year	11,647	8,870
Acquisitions	–	701
Capital contributions	1,161	2,134
Repayment of paid-up capital	−1,223	−58
End of year	11,585	11,647
Accumulated impairments		
Beginning of year	−1,317	−616
Impairment for the year	–	−701
End of year	−1,317	−1,317
CARRYING AMOUNT DECEMBER 31	**10,268**	10,330

Write down of shares in subsidiaries in 2013 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

2014	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
Name of subsidiary					
Passage2Health Ltd.	−5	100	Share capital total £6,800 consisting of 6,800 shares with nom. value £1 per share	0	−5
Sirius Rückversicherungs Service GmbH	36	100	Share capital total Đ51,129 consisting of 1 share with nom. value Đ51,129	0	7
Sirius Belgium Réassurances S.A.	12	100	Share capital total Đ1,245,681 consisting of 700,000 shares without nom. value	13	−0
Sirius International Holdings (NL) B.V.	973	100	Share capital total Đ18,000 consisting of 180 shares with nom. value Đ100 per share	269	325
S.I. Holdings (Luxembourg) S.à r.l.	4,282	100	Share capital total SEK 105,693,172 consisting of 105,693,172 shares with nom. value SEK1	3,809	414
Sirius International Managing Agency Ltd.	8	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	4	3
White Mountains Re Sirius Capital Ltd.	−44	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	45
WM Phoenix (Luxembourg) S.à r.l.	7,079	100	Share capital total $42,266,200 consisting of 1,690,648 shares with nom. value $25 per share	6,158	491
White Sands Holdings (Luxembourg) S.à r.l.	16	100	Share capital total SEK 145,055 consisting of 145,055 shares with nom. value SEK1	15	−0
TOTAL	**12,357**			**10,268**	**1,280**

2013	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
Name of subsidiary					
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 Đ51,129 consisting of 1 share with nom. value Đ51,129	1	4
Sirius Belgium Réassurances S.A.	12	100	Share capital total Đ1,245,681 consisting of 700,000 shares without nom. value	13	0
Sirius International Holdings (NL) B.V.	1,591	100	Share capital total Đ18,000 consisting of 180 shares with nom. value Đ100 per share	1,311	414
S.I. 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
TOTAL	10,272			10,330	1,701

Note 14 – *Investments in shares and participations*

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Fair value	5,186	4,097	494	399
Acquisition cost	4,441	3,441	522	496

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

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

GROUP	FAIR VALUE 2014	2013	ACQUISITION COST 2014	2013
Swedish government	1,203	1,801	1,184	1,799
Swedish mortgage institutions	486	466	464	471
Other Swedish issuers	0	0	0	0
Foreign governments	2,033	2,565	2,003	2,618
Other foreign issuers	14,213	11,628	13,484	11,601
TOTAL	**17,935**	16,460	**17,135**	16,489
Of which listed	*17,932*	*16,397*	*17,132*	*16,426*
Difference compared to nominal value				
Total excess amount	758	666	725	663
Total shortfall	214	38	207	29

PARENT COMPANY	FAIR VALUE 2014	2013	ACQUISITION COST 2014	2013
Swedish government	1,112	1,693	1,093	1,691
Swedish mortgage institutions	386	366	364	369
Other Swedish issuers	0	0	0	0
Foreign governments	783	1,232	739	1,277
Other foreign issuers	4,688	3,273	4,197	3,280
TOTAL	**6,969**	6,564	**6,393**	6,617
Of which listed	*6,966*	*6,564*	*6,390*	*9,793*
Difference compared to nominal value				
Total excess amount	425	337	278	277
Total shortfall	6	19	4	14

Note 16 – *Derivative financial instruments*

	GROUP 2014	2013	PARENT COMPANY 2014	2013
Currency derivatives, Sirius Bermuda Insurance Company Ltd.	−494	275	−494	275
Other derivatives, Endurance	25	−2	25	−2
TOTAL	**−469**	273	**−469**	273

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 Bermuda Insurance Company Ltd (former 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 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Other debtors, group companies[1]	–	–	159	167
Other debtors	221	144	65	83
TOTAL[2]	**221**	144	**224**	250

[1] Group companies are defined as companies within the White Mountains Group.
[2] 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 2014	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	–	5,186	–	5,186	5,186	3,855
Derivative financial instruments[1]	–	25	–	25	25	25
Bonds and other interest-bearing securities	–	8,844	9,091	17,935	17,935	17,296
Accrued income	579	47	106	732	732	732
Other debtors	221	–	–	221	221	221
TOTAL	**800**	**14,102**	**9,197**	**24,099**	**24,099**	**22,116**

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[1]	–	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
TOTAL	622	12,229	8,757	21,608	21,608	20,720

[1] Derivatives are classified as Financial instruments held for trading.

Note 18 – Cont.

FINANCIAL ASSETS

PARENT COMPANY 2014	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	–	494	–	494	494	522
Derivative financial instruments[1]	–	25	–	25	25	12
Bonds and other interest-bearing securities	–	–	6,970	6,970	6,970	6,527
Accrued income	314	–	90	404	404	404
Other debtors	41	–	–	41	41	41
TOTAL	**355**	**519**	**7,060**	**7,934**	**7,934**	**7,506**

PARENT COMPANY 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	–	399	–	399	399	496
Derivative financial instruments[1]	–	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
TOTAL	526	672	6,651	7,849	7,849	7,738

[1] Derivatives are classified as Financial instruments held for trading.

FINANCIAL LIABILITIES

GROUP 2014	Other financial liabilities	Carrying amount	Fair value
Other liabilities	205	205	205
Accrued expenses	58	58	58
TOTAL	**263**	**263**	**263**

GROUP 2013	Other financial liabilities	Carrying amount	Fair value
Other liabilities	188	188	188
Accrued expenses	48	48	48
TOTAL	236	236	236

PARENT COMPANY 2014	Other financial liabilities	Carrying amount	Fair value
Other liabilities	164	164	164
Accrued expenses	54	54	54
TOTAL	**218**	**218**	**218**

PARENT COMPANY 2013	Other financial liabilities	Carrying amount	Fair value
Other liabilities	133	133	133
Accrued expenses	229	229	229
TOTAL	362	362	362

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.

GROUP 2014	Level 1	Level 2	Level 3	TOTAL
Shares and participations	4,277	12	897	**5,186**
Derivatives	–	–	–469	**–469**
Bonds and other interest-bearing securities	3,852	14,080	3	**17,935**
TOTAL	**8,129**	**14,092**	**431**	**22,652**

GROUP 2013	Level 1	Level 2	Level 3	TOTAL
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
TOTAL	7,482	12,161	1,187	20,830

PARENT COMPANY 2014	Level 1	Level 2	Level 3	TOTAL
Shares and participations	384	12	98	**494**
Derivatives	–	–	–469	**–469**
Bonds and other interest-bearing securities	2,761	4,206	3	**6,970**
TOTAL	**3,145**	**4,218**	**–368**	**6,995**

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

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.

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).

GROUP 2014	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2014	9	–	12,152	12,161
Total reported profit/loss: – reported in profit/loss for the year [1]	3	–	847	850
Acquisition cost, purchase	–	–	13,283	13,283
Proceeds of sale, sales	–	–	–13,958	–13,958
Transfer from Level 2	–	–	–	–
Transfer into Level 2	–	–	322	322
Currency revaluation effect	–	–	1,434	1,434
CLOSING BALANCE DECEMBER 31, 2014	**12**	**–**	**14,080**	**14,092**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 [1]	3	–	847	850

PARENT COMPANY 2014	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2014	9	–	3,420	3,429
Total reported profit/loss: – reported in profit/loss for the year [1]	3	–	666	669
Acquisition cost, purchase	–	–	5,045	5,045
Proceeds of sale, sales	–	–	–5,022	–5,022
Transfer from Level 2	–	–	–	–
Transfer into Level 2	–	–	97	97
CLOSING BALANCE DECEMBER 31, 2014	**12**	**–**	**4,206**	**4,218**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 [1]	3	–	666	669

GROUP 2014	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2014	851	273	63	1,187
Total reported profit/loss: – reported in profit/loss for the year [1]	111	–690	2	–577
Acquisition cost, purchase	45	–	255	300
Proceeds of sale, sales	–255	–52	–206	–513
Transfer from Level 3	–	–	–132	–132
Transfer into Level 3	–	–	8	8
Currency revaluation effect	145	–	13	158
CLOSING BALANCE DECEMBER 31, 2014	**897**	**–469**	**3**	**431**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 [1]	111	–690	2	–577

[1] Reported in net income of financial transactions in profit/loss for the year.

Note 18 – Cont.

PARENT COMPANY 2014	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2014	76	273	0	**349**
Total reported profit/loss: – reported in profit/loss for the year [1]	8	−690	2	**−680**
Acquisition cost, purchase	33	–	107	**140**
Proceeds of sale, sales	−19	−52	–	**−71**
Transfer from Level 3	–	–	−114	**−114**
Transfer into Level 3	–	–	8	8
CLOSING BALANCE DECEMBER 31, 2014	**98**	**−469**	**3**	**−368**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 [1]	8	−690	2	**−680**

GROUP 2013	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2013	363	–	14,015	14,378
Total reported profit/loss: – reported in profit/loss for the year [1]	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
CLOSING BALANCE DECEMBER 31, 2013	9	–	12,152	12,161
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 [1]	40	–	−305	−265

PARENT COMPANY 2013	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2013	360	–	6,851	7,211
Total reported profit/loss: – reported in profit/loss for the year [1]	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
CLOSING BALANCE DECEMBER 31, 2013	9	–	3,420	3,429
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 [1]	40	–	−75	−35

[1] Reported in net income of financial transactions in profit/loss for the year.

Note 18 – Cont.

GROUP 2013	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2013	879	326	–	1,205
Total reported profit/loss: – reported in profit/loss for the year [1]	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
CLOSING BALANCE DECEMBER 31, 2013	851	273	63	1,187
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 [1]	16	95	–	111

PARENT COMPANY 2013	Shares and participations	Derivatives	Bonds	TOTAL
Opening balance January 1, 2013	189	326	–	515
Total reported profit/loss: – reported in profit/loss for the year [1]	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	–	–	–	–
CLOSING BALANCE DECEMBER 31, 2013	76	273	–	349
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2013 [1]	5	95	–	100

[1] 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
Accumulated acquisition cost		
Opening balance January 1, 2013	176	124
Acquisition	29	13
Disposals	−16	−16
Currency revaluation effect	−1	–
CLOSING BALANCE DECEMBER 31, 2013	188	121
Opening balance January 1, 2014	188	121
Acquisition	22	21
Disposals	−22	−6
Currency revaluation effect	11	–
CLOSING BALANCE DECEMBER 31, 2014	**199**	**136**
Accumulated depreciation		
Opening balance January 1, 2013	−122	−74
Depreciation for the year	−26	−22
Disposals	15	15
Currency revaluation effect	1	–
CLOSING BALANCE DECEMBER 31, 2013	−131	−81
Opening balance January 1, 2014	−131	−81
Depreciation for the year	−26	−22
Disposals	21	4
Currency revaluation effect	−8	–
CLOSING BALANCE DECEMBER 31, 2014	**−144**	**−99**
Carrying amount		
Per January 1, 2013	54	50
PER DECEMBER 31, 2013	57	40
Per January 1, 2014	57	40
PER DECEMBER 31, 2014	**55**	**37**

Note 20 – *Deferred acquisition costs*

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Opening balance	446	439	244	266
Acquired portfolio	0	0	–	–
Capitalization for the year	449	423	225	219
Depreciation/amortization for the year	−439	−411	−234	−240
Currency revaluation effect	88	−5	44	−1
CLOSING BALANCE	**544**	446	**279**	244

Note 21 – *Untaxed reserves*

PARENT COMPANY	2014	2013
Accumulated depreciation in excess of plan		
Opening balance January 1	15	25
Change for the year – goodwill	–4	–4
Change for the year – tangible assets	1	–6
CLOSING BALANCE DECEMBER 31	**12**	**15**
Appropriation to safety reserve		
Opening balance January 1	10,447	9,647
Change for the year	–	800
CLOSING BALANCE DECEMBER 31	**10,447**	**10,447**
TOTAL	**10,459**	**10,462**

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

PROVISIONS FOR UNEARNED PREMIUMS

	2014			2013		
GROUP	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	2,133	–446	1,687	2,120	–463	1,657
Acquired portfolio	0	0	0	0	0	0
Change in provision	–27	6	–21	34	21	55
Currency revaluation effect	448	–96	352	–21	–4	–25
CLOSING BALANCE	**2,554**	**–536**	**2,018**	2,133	–446	1,687

PROVISIONS FOR UNEXPIRED RISKS

	2014			2013		
GROUP	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	76	–56	20	81	–61	20
Change in provision	–10	8	–2	–5	4	–1
Currency revaluation effect	15	–11	4	0	1	1
CLOSING BALANCE	**81**	**–59**	**22**	76	–56	20

PROVISIONS FOR UNEARNED PREMIUMS

	2014			2013		
PARENT COMPANY	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	1,412	–445	967	1,498	–456	1,042
Change in provision	–97	22	–75	–77	16	–61
Currency revaluation effect	295	–100	195	–9	–5	–14
CLOSING BALANCE	**1,610**	**–523**	**1,087**	1,412	–445	967

PROVISIONS FOR UNEXPIRED RISKS

	2014			2013		
PARENT COMPANY	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	76	–56	20	82	–61	21
Change in provision	–10	8	–2	–5	4	–1
Currency revaluation effect	15	–11	4	–1	1	0
CLOSING BALANCE	**81**	**–59**	**22**	76	–56	20

Note 23 – *Claims reserve*

GROUP	2014 Gross	2014 Reinsurers' share	2014 Net	2013 Gross	2013 Reinsurers' share	2013 Net
Opening balance, reported claims	*7,255*	*–1,532*	*5,723*	*7,264*	*–1,359*	*5,905*
Opening balance, incurred but not reported claims (IBNR)	*5,234*	*–707*	*4,527*	*9,101*	*–3,583*	*5,518*
OPENING BALANCE	**12,489**	**–2,239**	**10,250**	16,365	–4,942	11,423
Acquired portfolio	0	0	0	330	–89	241
Cost for claims incurred – current year	2,720	–707	2,013	2,856	–722	2,134
Cost for claims incurred – prior year	758	–324	434	–1,762	2,376	614
Claims handling expenses	186	0	186	183	0	183
Paid claims	4,447	–995	3,452	4,752	–861	3,891
Currency revaluation effect	2,030	–309	1,720	–365	277	–88
CLOSING BALANCE	**13,364**	**–2,584**	**10,779**	12,489	–2,239	10,250
Closing balance, reported claims	*7,795*	*–1,779*	*6,016*	*7,255*	*–1,532*	*5,723*
Closing balance, incurred but not reported claims (IBNR)	*5,568*	*–805*	*4,763*	*5,234*	*–707*	*4,527*

PARENT COMPANY	2014 Gross	2014 Reinsurers' share	2014 Net	2013 Gross	2013 Reinsurers' share	2013 Net
Opening balance, reported claims	*4,198*	*–1,107*	*3,091*	*3,985*	*–861*	*3,124*
Opening balance, incurred but not reported claims (IBNR)	*1,557*	*–296*	*1,261*	*4,768*	*–3,124*	*1,644*
OPENING BALANCE	**5,755**	**–1,403**	**4,352**	8,753	–3,985	4,768
Cost for claims incurred – current year	1,898	–612	1,286	2,262	–813	1,449
Cost for claims incurred – prior year	311	–299	12	–2,218	2,392	174
Claims handling expenses	149	0	149	141	0	141
Paid claims	2,657	–869	1,788	2,575	–728	1,847
Currency revaluation effect	730	–165	565	–326	275	–51
CLOSING BALANCE	**5,889**	**–1,610**	**4,279**	5,755	–1,403	4,352
Closing balance, reported claims	*4,413*	*–1,269*	*3,144*	*4,198*	*–1,107*	*3,091*
Closing balance, incurred but not reported claims (IBNR)	*1,476*	*–341*	*1,135*	*1,557*	*–296*	*1,261*

Note 24 – *Equalization provision*

PARENT COMPANY	2014	2013
Opening balance	86	86
Provision of the year	3	–
CLOSING BALANCE	**89**	**86**

Note 25 – *Claims handling provision*

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Opening balance	241	247	132	132
Acquired portfolio	0	4	0	0
Release of provision made in prior years	–57	–59	–22	–34
Provision for the year	48	48	31	32
Currency revaluation effect	28	1	9	2
CLOSING BALANCE	**260**	241	**150**	132

Note 26 – *Employee benefits*

DEFINED BENEFIT PLANS

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Pension obligations covered by plan assets	96	74	-	-
Plan assets at fair value	96	-78	-	-
SURPLUS (-) DEFICIT (+)	0	-4	-	-
Pension obligations not covered by plan assets	14	11	14	11
PROVISION FOR DEFINED BENEFIT PENSION PLANS, NET	14	7	14	11

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 (39%), Swedish and foreign shares (28%), real-estate (10%), non listed shares (9%) and other investment assets (14%).

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	2014	2013
Current service cost	10	7
Interest cost on pension obligation	4	3
Interest income on plan assets	−6	−3
PENSION COST FOR DEFINED BENEFIT PLANS	8	7
Paid premiums, defined contribution plans	71	65
TOTAL PENSION COST [1]	79	72

[1] 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	2014	2013
Opening balance pension obligation	85	80
Current service cost	10	7
Interest cost on pension obligation	3	3
Actuarial gains and losses recognized in OCI	14	−2
Release of obligation by payment	−2	−3
Tax	−2	−1
Currency revaluation effect	2	1
CLOSING BALANCE PENSION OBLIGATION	110	85

Note 26 – Cont.

CHANGES IN PLAN ASSETS

GROUP	2014	2013
Opening balance plan assets at fair value	78	69
Interest income on plan assets	6	3
Contributions	6	5
Actuarial gains and losses recognized in OCI	6	4
Release of obligation by payment	−1	−4
Currency revaluation effect	1	1
CLOSING BALANCE PLAN ASSETS AT FAIR VALUE	96	78

The plan assets' fair value, as per December 31, 2014, is lower than the value of the Group's defined benefit pension commitments. The Group has per December 31, 2014 a net obligation of MSEK 14 (7). 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

GROUP	2014	2013
Opening balance actuarial gains/losses	0	6
Current year change in actuarial gains (−)/losses (+) on pension obligation	14	−2
Current year change in actuarial gains (−)/losses (+) on plan assets	−7	−4
CLOSING BALANCE ACTUARIAL GAINS/LOSSES	7	0

ACTUARIAL ASSUMPTIONS

GROUP	2014	2013
Discount rate	2.3 %	3.6 %
Price inflation	1.3 %	1.5 %
Expected salary increases	2.8 %	3.0 %
Indexation of benefits	1.3 %	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 (17 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 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Amounts due to group companies [1]	23	28	54	51
Other debtors	182	160	110	82
TOTAL [2]	**205**	188	**164**	133

[1] Group companies are defined as companies within the White Mountains-group.
[2] The majority of the liabilities have a duration less than one year.

Note 28 – *Contingent liabilities and commitments*

PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Bonds and other interest-bearing securities	7,557	7,809	5,582	6,571
Cash and bank	1,425	158	1,166	120
ASSETS FOR WHICH POLICY HOLDERS HAVE PREFERENTIAL RIGHTS	**8,982**	7,967	**6,748**	6,691

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 5,994. 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 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Nominal amount Guarantees on behalf of subsidiary	3,350	1,930	3,350	1,930
Future commitments for investments in private equity companies	132	140	31	49
TOTAL	**3,482**	2,070	**3,381**	1,979

Note 29 – *Associated parties*

SUMMARY OF TRANSACTIONS WITH ASSOCIATED COMPANIES WITHIN THE WHITE MOUNTAINS GROUP

GROUP 2014	Premium income, net	Indemnifications	Purchased/ sold services	Receivables	Liabilities
White Mountains Advisors LLC – financial services	–	–	–41	–	12
Sirius Bermuda Insurance Company Ltd – financial services	–	–	75	–	9
Sirius Capital Bermuda Ltd – administrative services	–	–	9	3	–
White Schoals Re Ltd. – administrative services	–	–	3	–	–
Sirius International Insurance Group Ltd. – administrative services	–	–	19	1	–
OneBeacon Insurance Group Ltd. – liability insurance and dividends	–	–	43	–	–
Other associated cmpanies	–	–	8	–	6
TOTAL	**–**	**–**	**116**	**4**	**27**

PARENT COMPANY 2014	Premium income, net	Indemnifications	Purchased/ sold services	Receivables	Liabilities
Sirius America Insurance Company – assumed reinsurance	134	38	–	378	–
Sirius America Insurance Company – ceded reinsurance	0	3	–	–	–
Star Re Ltd. – ceded reinsurance	–120	–	–	–	–
Syndicate 1945 – assumed reinsurance	20	–2	–	3	–
Sirius America Insurance Company - administrative services	–	–	20	–	–
WM Phoenix (Luxembourg) S.à r.l. - dividends	–	–	558	–	–
Sirius International Holding (NL) B.V. – dividends	–	–	119	–	–
Sirius Rückversicherungs Service GmbH – intra-group payables	–	–	–29	–	42
Sirius Belgium Réassurances S.A – intra-group payables	–	–	0	–	1
Star Re Ltd. – intra–group receivables	–	–	1	–	–
S.I. Holdings (Luxembourg) S.à r.l. – dividends/receivables	–	–	67	3	–
Passage2Health Ltd. – intra-group receivables	–	–	0	6	–
Syndicate 1945 – intra group receivables	–	–	76	102	–
Sirius Global Services LLC – administrative services	–	–	–34	15	–
Sirius International Holdings Ltd – administrative services	–	–	–4	–	1
Sirius International Managing agency Ltd – administrative services	–	–	2	3	–
White Sands Holdings (Luxembourg) S.à r.l. - dividends	–	–	–	0	–
White Mountains Re Sirius Capital Ltd - intra-group payables	–	–	–	44	
White Mountains Advisors LLC – financial services	–	–	–14	–	4
Sirius Bermuda Insurance Company Ltd - financial services	–	–	75	–	9
Sirius Capital Markets Bermuda Ltd. – administrative services	–	–	9	2	–
White Schoals Re Ltd - administrative services	–	–	3	–	–
Other associated cmpanies	–	–	5	–	0
TOTAL	**34**	**39**	**853**	**556**	**57**

Note 29 – Cont.

GROUP 2013	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	–	–
TOTAL	–126	–2,542	186	1	34

PARENT COMPANY 2013	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	–	–
TOTAL	–55	–2,553	1,815	508	55

[1)] Refers to reinsurer's share of outstanding claims.

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

AVERAGE NUMBER OF EMPLOYEES

GROUP	2014 Men	2014 Women	2014 TOTAL	2013 Men	2013 Women	2013 TOTAL
Parent Company	148	145	293	141	145	286
Germany	3	10	13	4	9	13
UK, P2H	–	–	–	0	2	2
USA	59	59	118	60	58	118
Canada	5	2	7	5	2	7
TOTAL	215	216	431	210	216	426

PARENT COMPANY	2014 Men	2014 Women	2014 TOTAL	2013 Men	2013 Women	2013 TOTAL
Sweden	75	72	147	74	72	146
UK	28	22	50	25	20	45
Belgium	24	23	47	23	24	47
Switzerland	4	5	9	4	5	9
Singapore	4	11	15	4	11	15
Denmark	5	2	7	5	2	7
Bermuda	8	10	18	6	11	17
TOTAL	148	145	293	141	145	286

SENIOR MANAGEMENT

GROUP AND PARENT COMPANY	2014 Men	2014 Women	2014 TOTAL	2013 Men	2013 Women	2013 TOTAL
Board and CEO	5	1	6	6	–	6
Other senior members of management	1	–	1	1	–	1
TOTAL	6	1	7	7	–	7

REMUNERATIONS TO EMPLOYEES

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Salaries including bonuses	599	553	370	329
Of which expenses bonus and other similar remunerations	*224*	*203*	*135*	*114*
Pension expenses	79	72	68	61
– Defined contribution plans	*71*	*65*	*64*	*60*
– Defined benefit plans (Note 26)	*8*	*7*	*4*	*1*
Social security contributions, special employer's contributions on pensions	108	99	102	93
TOTAL	787	724	539	483

Note 30 – Cont.

OF WHICH PAID REMUNERATIONS FOR THE YEAR TO:

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
CEO				
Salaries including bonuses	4	–	4	–
Of which paid out bonuses	*2*	–	*2*	–
Pension expenses	1	–	1	–
– Defined contribution plans	*1*	–	*1*	–
– Defined benefit plans	–	–	–	–
TOTAL	5	–	5	–
FORMER CEO				
Salaries including bonuses	17	16	17	16
Of which paid out bonuses	*13*	*12*	*13*	*12*
Pension expenses	3	3	3	3
– Defined contribution plans	*3*	*3*	*3*	*3*
– Defined benefit plans	–	–	–	–
TOTAL	20	19	20	19
Board and other senior members of management				
Salaries including bonuses	15	14	15	14
Of which expenses bonus and other similar remunerations	*9*	*8*	*9*	*8*
Pension expenses	3	3	3	3
– Defined contribution plans	*3*	*3*	*3*	*3*
– Defined benefit plans	–	–	–	–
TOTAL	18	17	18	17

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 2013 and 2014.

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*

	GROUP		PARENT COMPANY	
PwC	2014	2013	2014	2013
Audit assignment	12	11	4	5
Tax counseling	2	1	0	1
Other services	1	1	1	0
TOTAL	15	13	5	6

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	
	2014	2013	2014	2013
Due for payment within one year	50	49	31	33
Due for payment later than one year but within five years	163	126	99	71
Due for payment after five years	40	112	–	1
TOTAL	253	287	130	105

Note 33 – *Class analysis*

PROFIT/LOSS PER INSURANCE CLASS

GROUP 2014	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	1,257	121	144	75	1,597	6,040	**7,637**
Premium earned, gross	1,226	101	122	83	1,532	6,142	**7,674**
Incurred claims, gross	−754	−85	−74	−12	−925	−2,553	**−3,478**
Operating expenses, gross	−447	−58	−60	−36	−601	−1,707	**−2,308**
Result, ceded reinsurance	−4	−7	−14	−14	−39	−561	**−600**
TECHNICAL RESULT	**21**	**−49**	**−26**	**21**	**−33**	**1,321**	**1,288**

PARENT COMPANY 2014	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	673	105	29	15	822	4,088	**4,910**
Premium earned, gross	657	88	38	16	799	4,218	**5,017**
Incurred claims, gross	−300	−72	−23	2	−393	−1,816	**−2,209**
Operating expenses, gross	−303	−53	−28	−8	−392	−1,159	**−1,551**
Result, ceded reinsurance	−23	−7	−4	−8	−42	−363	**−405**
Equalization provision	–	–	–	–	–	−3	**−3**
TECHNICAL RESULT	**31**	**−44**	**−17**	**2**	**−28**	**877**	**849**

GROUP 2013	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
Incurred 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
TECHNICAL RESULT	**−6**	**−24**	**12**	**18**	**0**	**907**	**907**

PARENT COMPANY 2013	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
Incurred 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	–	–	–	–	–	–	–
TECHNICAL RESULT	**19**	**−24**	**13**	**15**	**23**	**751**	**774**

STOCKHOLM, MARCH 5, 2015

ALLAN WATERS
Chairman of the Board of Directors

BRIAN KENSIL

JEFFREY DAVIS

JAN ONSELIUS

LARS EK

MONICA CRAMÉR MANHEM
President & CEO

Our Auditors' Report was submitted on March 5, 2015

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 2014.

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

IIn 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 2014 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 2014 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 2014.

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, March 5, 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 2014. 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 International. 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.

IN 2014 MONICA CRAMÉR MANHEM BECAME THE PRESIDENT & CEO of Sirius International. Sirius launched its own Lloyd's managing agency.

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 $850 million in underwriting profits. This long-term track record is perhaps unparalleled.

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