



*Annual report 2015*

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# CMIH, our owners

## CM International Holding Pte. Ltd.

On April 18, 2016 - Singapore-based CM International Holding Pte. Ltd. (“CMIH”) finalized the acquisition of Sirius International Insurance Group, Ltd. (“Sirius Group”) through its Bermuda holding company, CM Bermuda Limited. CMIH is an investment holding company owned by private investors.

Singapore-based CMIH is focused on international investments, asset management and cross-board M & A. CMIH is the flagship international platform founded and wholly-owned by China Minsheng Investment Corp., Ltd. (“CMI”), one of China’s leading private investment companies. Highly regarded in the Chinese private sector and registered in Shanghai with total assets of US \$13.2B and total shareholders’ equity of US \$7.3B, CMI focuses on the transformation and upgrading of Chinese private enterprises through integrating industry resources and financial capital.

## 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, 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.

### SIRIUS 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 2015

I am pleased to advise that 2015 was not only another successful year for Sirius International; it was also a momentous one. On July 27th 2015, White Mountains signed a stock purchase agreement to sell Sirius Insurance Group to Singapore-based CM International Holding Pte.Ltd. (CMIH). Together with the entire Sirius Group, we are very excited about the transaction and our new future ownership. We firmly believe it will give us further momentum and open doors to new opportunities, whilst enabling us to retain our core values with their strong emphasis on long-term, mutually beneficial relationships.

Last year I emphasised that one of our strengths was consistency rather than eye-catching changes of direction. 2015 was another highly profitable year for the Sirius Group, one where we were able to grow selectively in key markets whilst maintaining the quality of our business.

We recorded an underwriting profit of MSEK 992, with gross written premium up 27 % to MSEK 9,689 partly as a consequence of a weakening SEK, primarily against USD and GBP, but also with increases in business written in both Sirius America and in Syndicate 1945. Our combined ratio for the year was a strong 86 % reflecting the company's successful strategy with a well-diversified insurance portfolio and good spread of risk.

It is worth noting that this combined ratio is almost in line with our average result of 85 % during our eleven years under the ownership of White Mountains, all of them profitable. It is by any standards an outstanding record and a tribute to our conservative underwriting approach as well as the professionalism of our people. Our consistently good results underpin the stability that is part and parcel of our offer to clients, and they justify our strategy of maintaining a diversified book of business by both class and territory. We thank White Mountains for their support during this period, which saw considerable growth in our operations under their protective umbrella.

The year 2015 was a positive one for the industry primarily because, according to preliminary estimates from external experts, total insured losses from natural catastrophes and man-made disasters were the lowest since 2009. The largest insurance losses for Sirius during 2015 came from the damage caused by the explosion in the Chinese port of Tianjin and from widespread flooding in India.

The overall portfolio evolved during the year with the direct Accident and Health business written at Lloyd's and in the United States growing, whilst we saw a slight reduction in the Property Catastrophe business due to continuing pressure on prices. In July 2015, we took the strategic decision to cease offering new aviation insurance from our branch in Copenhagen. Sirius has signed an agreement with a Danish insurance company who will offer new policies and handle the

run-off administration. Finally, Sirius is in the process of applying for a representative office in Shanghai as part of our strategy to develop and strengthen our presence in the Chinese market.

The arrival of Solvency II on January 1, 2016 came after years of preparation and hard work across the entire organization. The regulation involves a substantial and costly industry-wide increase in levels of administration with the objective of strengthening the relationship between solvency capital requirements and risks for insurance undertakings. The company has adapted its processes for calculation of own funds, capital requirement, risk management, internal control and reporting in line with the new regulation. With our extremely strong capital base, the Solvency II capital requirements are more than fulfilled.

All in all, we are in good shape as we look forward to opening a new chapter in our 70-year history under the ownership of CMIH with its ultimate owner China Minsheng Investment Corp., Ltd., (CMI). With more than \$6 billion of shareholders' equity, CMI will be a financially strong owner with the ability to infuse capital as underwriting and investment opportunities emerge. Although CMI has considerable interests in banking and other financial services, Sirius represents their first investment in insurance and reinsurance. We strongly believe there will be opportunities to grow our franchise and business with our new owners, thereby complementing our existing footprint.

Some things remain completely unchanged and very clear. Our core values, approach to underwriting and culture will remain as they have always been, based around partnerships with clients, understanding their business needs and doing all we can to meet them. We will have the same staff, whose dedication and professionalism make them among the very best in the business. Our capital base, which is ring-fenced by regulation and provides strong protection to our policyholders, will maintain its organic growth, but with the potential for further investment in the future.

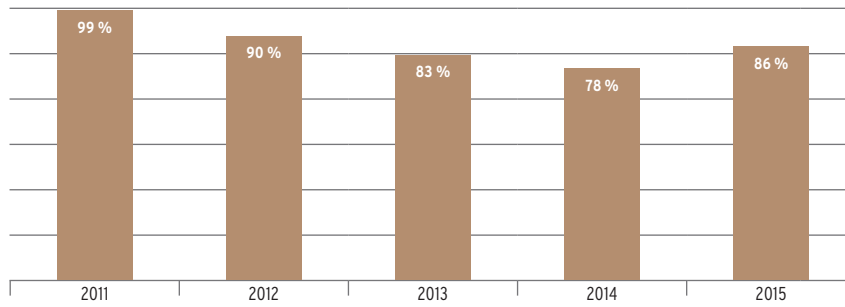
So there is much to look forward to as we move ahead. In the meantime, our clients and brokers remain, as always, at the centre of all we do. We will continue to honor our tradition of providing superior service and innovative solutions, while thanking them for their support, and looking forward to being of continued service.



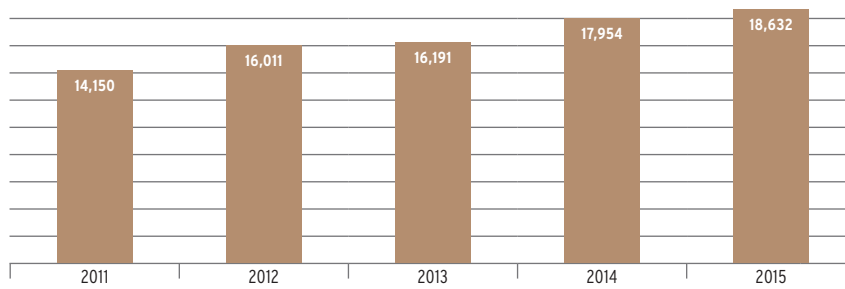
MONICA CRAMÉR MANHEM  
President & CEO

<b>AT A GLANCE</b>	<b>2015</b>	<b>2014</b>
Net premium income	\$845 million	\$867 million
Claims net of reinsurance	\$428 million	\$357 million
Underwriting profit	\$118 million	\$189 million
Combined ratio	86 %	78 %
Result before taxes	\$233 million	\$320 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 2015.

## 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 2015 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 was the lowest since 2009. The El Nino weather phenomenon did admittedly cause extensive floods and extreme heat waves in some developing - and emerging countries, but El Nino did also have a damping effect on hurricane activity in the Atlantic. The largest insurance loss for Sirius International during 2015 was an explosion in the port of Tianjin, China. The outcome is estimated to have resulted in claims of approximately USD 2 billion for the industry as a whole and for Sirius International the explosion in Tianjin is estimated to approximately MSEK 151. The following claims events represent a summary of the major claims impacting the Company's insurance portfolio during 2015. In the first quarter a fire occurred at a food plant in Germany, a passenger plane from German wings crashed in the French Alps on its way from Spain and Massachusetts state in north eastern USA was hit by snowstorms. The second quarter was fairly moderate without any major insurance losses with the exception of a fire in a chemical engineering plant in Korea. In the third quarter Austria suffered from hailstorms and a ship carrying livestock sank at the port of Vila Do Conde in Brazil. The fourth quarter was hit by extensive flood damage in the UK and in the province of Chennai in southern India and from a credit reinsurance loss from a Spanish multinational company. For Sirius International these events are estimated to have resulted in claims of approximately MSEK 198 for own account.

The major claims from natural disasters during previous accident years have developed favorably during the year, resulting in a positive run-off result for the 2015 financial 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 2016, was exposed to a certain amount of price pressure, with falling prices in certain markets and insurance classes. For the overall portfolio however, the pricing for 2016 is deemed to be satisfactory.

In 2015, the operation of Syndicate 1945 at Lloyd's has developed well. The Syndicate has successfully managed to grow its portfolio according to plan through Lloyd's sales channels.

The US operations conducted in Sirius America Insurance Company, also had a successful 2015 where satisfactory premium volume and favorable claims experience contributed to a strong Group result.

Gross premium income amounted to MSEK 9,689 (7,637) for the Group and MSEK 5,901 (4,910) for the Parent Company. The Group's premium income for own account amounted to MSEK 7,090 (5,930), and MSEK 3,651 (3,281) for the Parent Company. For the Group the premium volume was 27 % higher compared to the previous year, and 20 % higher for the Parent Company. The weakened SEK, primarily against USD and GBP has provided a favorable effect on premium volume for both the group and the parent company. Gross premium income expressed in original currency displays a somewhat different picture. Sirius America Insurance company and Syndicate 1945 at Lloyd's reports a slight increase in gross premiums in original currency compared with previous year. The parent company, Sirius International, reports slightly reduced gross premiums incomes compared with last year.

The Group's operating profit from insurance operations amounted to MSEK 1,090 (1,549) and to MSEK 720 (1,028) for the Parent Company. The combined ratio was 86 % (78 %) for the Group and 82 % (75 %) 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.

2015 was characterized by turbulence and varying development in the various stock markets. OMX 30, Dow Jones and FTSE 100 indices decreased by 1 % to 5 %. Other stock market indices increased by 5 % to 10 %.

On a global basis, GDP grew 2.4 % which was below expectation. The economic slowdown of the most influential emerging markets Brazil, Russia, China and South Africa affected the global GDP development negatively.

During 2015, the Swedish economy developed positively and GDP grew by 3.5 %. In the US, domestic consumption and investments outside the oil sector has contributed to strong domestic demand. GDP landed at plus 2.5 %. The UK economy

has continued to develop strongly during the year and GDP is now on a higher level than before the financial crisis. The increased growth in the Eurozone was in line with expectations, while private consumption in Japan fell and the level of investments remained low.

SEK has continued to fall against USD and GBP. During 2015, USD and GBP have grown stronger by 8.4 % and 3.1 % respectively against SEK. EUR has weakened against SEK by 2.8 % during the year.

The markets in the US, Sweden, Germany and the UK are the most important ones for the Group's bond portfolio. In Sweden, the interest levels on three year tenor have decreased 30 basis points whereas the interest rate in the five year tenor increased 17 basis points. In the US, the interest rates have continued to increase. The three year tenor increased 25 basis points whereas the interest rate in the five year tenor increased about 10 basis points. The UK interest rates shows a similar pattern with an increase of approximately 20 basis points on the interest levels on three and five-year tenor, while the corresponding interest rates for EURO bonds remained virtually unchanged.

Overall, yield on the bond portfolio was 1.0 % adjusted for exchange rate effects. As regards the equity portfolio, including investments in Hedge Funds and Private Equity investments, the yield amounted to 27 %, 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 725. Exchange rate hedging against the USD has been undertaken to the same extent as previous year and the total nominal hedged amount remains at MUS\$ 600. Per year end the portion of the solvency capital that is exposed to foreign currency, after currency hedging, is in line with 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 875 (1,056). The Group's direct yield was 2.0 % (2.3 %) and the total yield was 3.2 % (4.7 %). 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 70 %, Shares and participations 20 %, Bank funds 10 %.

From July 1, 2015, Sirius International's Danish branch has ceased to offer new insurance. Only the renewal of existing contracts will be offered. Sirius has signed an agreement with the Danish insurance company Alpha Insurance A / S and its agent Beta Aviation Aps, who will offer new insurance and handle the run-off administration. Beta Aviation has hired the staff and taken

over the office. Sirius Danish branch is therefore discontinued.

During the year Sirius International received a capital contribution from the parent company Fund American Holding AB of MSEK 162. Furthermore, it was in December decided that S.I Holdings (Luxembourg) S.à r.l. will execute a capital repayment totaling MSEK 236 to Sirius International.

The new solvency rules, Solvency 2, were applied January 1, 2016. The objective is to strengthen the relationship between solvency capital requirements and risks for insurance undertakings. The company has adapted its processes for calculation of own funds, capital requirement, risk management, internal control and reporting.

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 2015, 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; Sirius International Corporate member Ltd., London, United Kingdom; Sirius International Managing Agency Ltd., London, United Kingdom, SI Phoenix (Luxembourg) S.à r.l., Luxembourg; White Sands Holdings (Luxembourg) S.à r.l., Luxembourg and S.I. Holdings (Luxembourg) S.à r.l., Luxembourg.

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



agency, Sirius Rückversicherungs Service GmbH, which provides insurance on behalf of Sirius International.

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

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

On July 27, 2015 White Mountains announced that they had signed a definitive agreement to sell Sirius International Insurance Group, Ltd to CM International Holding PTE Ltd., Singapore and, in turn, owned by China Minsheng Investment Corp., Ltd., China. The transaction is a subject for regulatory approval and is expected to close during spring 2016. The Group's holdings in the affiliated companies Symetra Financial Corporation and OneBeacon Insurance Group will be sold before transaction closing.

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 31, 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 2016 are to achieve a combined ratio under 92 % and an Underwriting Return on Capital (UROC) of 9 %.



## Five-year summary

<b>GROUP (MSEK)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012<sup>3)</sup></b>	<b>2011</b>
Net premium income	7,090	5,930	5,729	6,304	4,363
Net premiums earned	7,106	5,952	5,675	6,293	4,584
Allocated investment return	143	313	101	547	225
Net claims incurred	-3,589	-2,445	-2,748	-3,692	-3,125
Operating costs	-2,525	-2,218	-1,977	-2,002	-1,461
Other operating costs	-45	-53	-43	-89	-
Insurance operating result	1,090	1,549	1,008	1,057	223
Investment operating result	863	637	1,352	784	219
Net income for the year	1,541	1,688	1,956	2,830	320
Net technical provisions	13,193	13,081	12,198	13,347	14,743
Market value on investment assets <sup>4)</sup>	27,769	26,824	23,906	25,601	26,094
<b>Insurance operating profit, for own account</b>					
Claims ratio	51 %	41 %	48 %	59 %	68 %
Cost ratio	36 %	37 %	35 %	32 %	31 %
Combined ratio	86 %	78 %	83 %	90 %	99 %
<b>Investment result</b>					
Investment yield	2 %	2 %	2 %	2 %	2 %
Total yield	3 %	5 %	4 %	5 %	2 %
<b>Solvency capital</b>					
Shareholders' equity	16,277	15,651	13,879	13,828	11,560
Deferred tax on untaxed reserves	2,358	2,301	2,302	2,128	2,547
Deferred tax on reserve for unrealized capital gains	-3	2	10	55	43
Total solvency capital	18,632	17,954	16,191	16,011	14,150
Solvency ratio	263 %	303 %	283 %	254 %	324 %
Capital base <sup>1)</sup>	17,516	16,863	15,006	15,185	13,644
Required solvency capital	1,911	1,787	1,687	1,621	1,755
<b>Group based values<sup>2)</sup></b>					
Capital base	18,586	17,842	15,689	17,698	13,792
Solvency requirement	1,911	1,787	1,687	1,621	1,872

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

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

<sup>3)</sup> 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.

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

<b>PARENT COMPANY (MSEK)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net premium income	3,651	3,281	3,423	4,014	3,768
Net premiums earned	3,711	3,358	3,485	4,196	4,037
Allocated investment return	51	179	55	280	225
Net claims incurred	-1,734	-1,298	-1,623	-2,126	-2,708
Operating costs	-1,305	-1,208	-1,086	-1,220	-1,239
Other operating costs	-3	-	-2	-1	-
Insurance operating result	720	1,028	829	1,104	266
Investment operating result	354	575	1,329	129	175
Other expenses	-22	-28	-28	-4	-4
Net income for the year	717	1,386	1,266	932	321
Net technical provisions	5,522	5,627	5,557	6,048	6,922
Market value on investment assets <sup>9)</sup>	18,313	19,526	19,241	20,692	19,678
<b>Insurance operating profit, for own account</b>					
Claims ratio	47 %	39 %	47 %	51 %	67 %
Cost ratio	35 %	36 %	31 %	29 %	30 %
Combined ratio	82 %	75 %	78 %	80 %	97 %
<b>Investment Result</b>					
Investment yield	3 %	5 %	9 %	1 %	3 %
Total yield	2 %	4 %	6 %	2 %	3 %
<b>Solvency Capital</b>					
Shareholders' equity	3,618	4,456	4,576	5,117	4,335
Untaxed reserves	10,719	10,459	10,462	9,672	9,682
Deferred tax on Reserve for unrealized capital gains	-	-	12	54	43
Total solvency capital	14,337	14,914	15,050	14,843	14,060
Solvency ratio	393 %	455 %	440 %	370 %	373 %
Capital base	13,372	14,035	14,237	14,265	13,648
Required solvency capital	947	835	851	710	765

<sup>9)</sup> Include Investment assets and Cash and bank balances.



**PROPOSED APPROPRIATION OF PROFITS**

For 2015, the Parent Company recorded income of MSEK 1,069 (MSEK 1,575) before appropriations and taxes. Net income for the year amounted to MSEK 717 (MSEK 1,386). As of December 31, 2015 retained earnings in the Group amounted to MSEK 7,116.

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

(SEK in thousands)

Retained earnings	3,655,335
Non-Restricted reserves	-89,666
Shareholder's contribution	162,230
Dividends paid, as resolved by the general meeting of shareholders and extraordinary general meeting of shareholders	-1,627,370
Net income for the year	717,207
<b>Total</b>	<b>2,817,736</b>

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

Dividend to the owner	842,470
To be carried forward	1,975,266
<b>Total</b>	<b>2,817,736</b>

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

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

## Income Statement – Group

<b>JANUARY 1 – DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS</b>			
<b>Earned premiums, for own account</b>			
Gross premium income	3	9,689	7,637
Ceded reinsurance premiums	3	-2,599	-1,707
Change in the gross provision for unearned premiums		-82	37
Change in the provision for unearned premiums, reinsurers' share		98	-15
<b>Total earned premiums, for own account</b>		<b>7,106</b>	<b>5,952</b>
<b>Allocated investment return transferred from the non-technical account</b>			
		<b>143</b>	<b>313</b>
<b>Claims incurred, for own account</b>			
Claims paid	4		
– Gross amount		-5,582	-4,633
– Reinsurers' share		1,279	995
Claims paid, for own account		<b>-4,303</b>	<b>-3,638</b>
<b>Change in the provision for claims, for own account</b>			
– Gross amount	4	1,016	1,155
– Reinsurers' share		-302	37
<b>Total claims incurred, for own account</b>		<b>-3,589</b>	<b>-2,445</b>
<b>Operating costs</b>	5	<b>-2,525</b>	<b>-2,218</b>
<b>Other Operating costs</b>	5	<b>-45</b>	<b>-53</b>
<b>OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT</b>		<b>1,090</b>	<b>1,549</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Balance of technical account</b>			
		<b>1,090</b>	<b>1,549</b>
<b>Investment income/expenses</b>			
– Investment income	6	1,647	1,222
– Unrealized gains and losses	7	-418	88
– Investment expenses and charges	8	-215	-360
– Share of result in associated companies	14	-8	-
Investment income allocated to the technical account		-143	-313
<b>Total investment income/expenses</b>		<b>863</b>	<b>637</b>
<b>RESULT BEFORE TAXES</b>		<b>1,952</b>	<b>2,186</b>
Taxes	10	-411	-498
<b>NET INCOME FOR THE YEAR</b>		<b>1,541</b>	<b>1,688</b>

## Statement of Comprehensive Income – Group

<b>JANUARY 1 – DECEMBER 31 (MSEK)</b>	Note	2015	2014
<b>Net income for the year</b>		1,541	1,688
Other comprehensive income			
Items not to be reclassified to income statement:			
– Actuarial gains and losses on defined benefit pension plans	27	3	-7
– Tax on items not to be reclassified to income statement		0	1
Items to be reclassified to income statement:			
– Change of fair value on bonds		-73	205
– Currency translation differences		649	1,585
– Tax on items to be reclassified to income statement		17	-47
Items reclassified to income statement:			
– Change of fair value on bonds		-58	-99
– Tax on items reclassified to income statement		13	22
<b>Other comprehensive income for the year, net of tax</b>		<b>551</b>	<b>1,660</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,092</b>	<b>3,348</b>

## Balance Sheet – Group

<b>DECEMBER 31 (MSEK)</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		26	26
Other intangible assets		162	198
<b>Total intangible assets</b>		<b>188</b>	<b>224</b>
<b>Investment assets</b>			
Land and buildings	12	11	12
Interest bearing investments emitted by, and loans to, group companies		310	213
Shares and participations in associated companies	14	127	122
Other financial investments			
– Shares and participations	15, 19	5,387	5,186
– Bonds and other interest bearing investments	16, 19	18,428	17,935
– Derivative financial instruments	17, 19	–	25
<b>Total other financial investments</b>		<b>23,815</b>	<b>23,146</b>
Deposits with cedents		664	627
<b>Total investment assets</b>		<b>24,927</b>	<b>24,120</b>
<b>Reinsurers' share of technical provisions</b>			
Provisions for unearned premiums	23	736	595
Claims outstanding	24	2,381	2,584
<b>Total reinsurers' share of technical provisions</b>		<b>3,117</b>	<b>3,179</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations		168	192
Debtors arising out of reinsurance operations		2,658	2,302
Current tax receivables		314	108
Deferred tax receivables	10	1,964	2,143
Other debtors	18, 19	260	221
<b>Total debtors</b>		<b>5,364</b>	<b>4,966</b>
<b>Other assets</b>			
Tangible assets	20	98	55
Cash and bank balance		2,842	3,198
<b>Total other assets</b>		<b>2,940</b>	<b>3,253</b>
<b>Prepayments and accrued income</b>	19		
Accrued interest		134	152
Deferred acquisition costs	21	628	544
Other prepayments and accrued income		29	36
<b>Total prepayments and accrued income</b>		<b>791</b>	<b>732</b>
<b>TOTAL ASSETS</b>		<b>37,327</b>	<b>36,474</b>

## Balance Sheet – Group, cont.

DECEMBER 31 (MSEK)	Note	2015	2014
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
– Share capital (8 million shares of nom. value SEK 100)		800	800
– Additional paid in capital		5,479	5,317
– Reserves		1,402	854
– Retained earnings - restricted		8,361	8,158
– Retained earnings - non-restricted, including net income for the year		235	522
<b>Total shareholders' equity</b>		<b>16,277</b>	<b>15,651</b>
<b>Technical provisions</b>			
Provisions for unearned premiums	23	2,879	2,635
Claims outstanding	24, 26	13,431	13,625
<b>Total Technical provisions</b>		<b>16,310</b>	<b>16,260</b>
<b>Provisions for other risks and expenses</b>			
Employee benefits	27	27	14
Current tax liabilities		1	38
Deferred tax liabilities	10	2,350	2,288
Other provisions		383	453
<b>Total provisions for other risks and expenses</b>		<b>2,761</b>	<b>2,793</b>
<b>Liabilities</b>			
Deposits received from reinsurers		441	451
Creditors arising out of direct insurance operations		88	105
Creditors arising out of reinsurance operations		490	457
Derivatives	17, 19	734	494
Other liabilities	19, 28	154	205
Accrued expenses and deferred income	19	72	58
<b>Total liabilities</b>		<b>1,979</b>	<b>1,770</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>37,327</b>	<b>36,474</b>
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	29	8,451	8,982
Other pledged assets and comparable collaterals	29	-	-
Contingent liabilities	29	3,626	3,350
Commitments	29	64	132



## Change in Shareholders' Equity – Group

(MSEK)	Share Capital <sup>1)</sup>	Additional paid in capital	Reserves	Retained earnings – restricted <sup>1)</sup>	Retained earnings – non-restricted	TOTAL
<b>Amount January 1, 2015</b>	<b>800</b>	<b>5,317</b>	<b>854</b>	<b>8,158</b>	<b>522</b>	<b>15,651</b>
<b>Comprehensive Income</b>						
Net profit/loss for the year	-	-	-	-	1,541	1,541
Change in untaxed reserves	-	-	-	203	-203	0
<b>Other comprehensive income, after tax</b>						
Change of fair value on bonds	-	-	-101	-	-	-101
Change defined benefit pension paid	-	-	-	-	3	3
Currency translation differences	-	-	649	-	-	649
Total other comprehensive income	-	-	548	-	3	551
Total comprehensive income	-	-	548	203	1,341	2,092
<b>Transactions with owners</b>						
Shareholder's contribution	-	162	-	-	-	162
Dividend paid <sup>2)</sup>	-	-	-	-	-1,627	-1,627
Total transactions with owners	-	162	-	-	-1,627	-1,465
<b>AMOUNT DECEMBER 31, 2015</b>	<b>800</b>	<b>5,479</b>	<b>1,402</b>	<b>8,361</b>	<b>235</b>	<b>16,277</b>
<b>Amount January 1, 2014</b>	<b>800</b>	<b>5,317</b>	<b>-812</b>	<b>8,160</b>	<b>414</b>	<b>13,879</b>
<b>Comprehensive income</b>						
Net profit/ loss for the year	-	-	-	-	1,688	1,688
Change in untaxed reserves	-	-	-	-2	3	1
<b>Other comprehensive income, after tax</b>						
Change of fair value on bonds	-	-	81	-	-	81
Change defined benefit pension paid	-	-	-	-	-6	-6
Currency translation differences	-	-	1,585	-	-	1,585
Total other comprehensive income	-	-	1,666	-	-6	1,660
Total comprehensive income	-	-	1,666	-2	1,685	3,349
<b>Transactions with owners</b>						
Dividend paid <sup>2)</sup>	-	-	-	-	-1,577	-1,577
Total transactions with owners	-	-	-	-	-1,577	-1,577
<b>AMOUNT DECEMBER 31, 2014</b>	<b>800</b>	<b>5,317</b>	<b>854</b>	<b>8,158</b>	<b>522</b>	<b>15,651</b>

<sup>1)</sup> Share capital and Retained earnings - restricted represents the restricted shareholders' equity.

<sup>2)</sup> Dividend paid to the parent company Fund American Holdings AB. The dividend is equal to 203 SEK (197 SEK) per share.

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

(MSEK)	2015	2014
<b>SHARE CAPITAL</b>		
<b>Specified in number of shares</b>		
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000
Per December 31, 2015 the share capital comprised 8,000,000 (8,000,000) ordinary shares. The shares have a nominal value of 100 (100) SEK.		
	2015	2014
<b>ADDITIONAL PAID IN CAPITAL</b>		
Opening additional paid in capital	5,317	5,317
Reclassification within shareholders' equity	162	-
<b>CLOSING ADDITIONAL PAID IN CAPITAL</b>	<b>5,479</b>	5,317
<b>RESERVES</b>		
<b>Fair value reserve</b>		
Opening fair value reserve	154	49
Change for the year	-131	105
<b>Closing fair value reserve</b>	<b>23</b>	154
<b>Tax on fair value reserves</b>		
Opening tax on fair value reserves	-34	-10
Change for the year	30	-24
<b>Closing tax on fair value reserve</b>	<b>-4</b>	-34
<b>Fair value reserve after tax</b>		
Opening fair value reserve after tax	120	39
Change for the year	-101	81
<b>CLOSING FAIR VALUE RESERVE AFTER TAX</b>	<b>19</b>	120
<b>Translation difference</b>		
Opening translation difference	734	-851
Change for the year	649	1,585
<b>CLOSING TRANSLATION DIFFERENCE</b>	<b>1,383</b>	734
<b>RETAINED EARNINGS – RESTRICTED</b>		
Opening retained earnings - restricted	8,158	8,160
Change for the year	203	-2
<b>OPENING RETAINED EARNINGS – RESTRICTED</b>	<b>8,361</b>	8,158
<b>RETAINED EARNINGS – NON-RESTRICTED</b>		
Opening retained earnings - non-restricted	522	414
Net profit/loss for the year	1,541	1,688
Change in safety reserve and other restricted reserves	-203	3
Change defined benefit pension plans	3	-6
Reclassification within shareholders' equity	-	-
Dividend paid	-1,627	-1,577
<b>CLOSING RETAINED EARNINGS – NON-RESTRICTED</b>	<b>235</b>	522

## Cash flow Statement – Group

(MSEK)	Note	2015	2014
<b>Operating Activities</b>			
Profit/loss before tax		1,952	2,186
Interest income		383	363
Interest expenses		-4	-4
Dividends received		177	208
Adjustment for non-cash items <sup>1)</sup>		-1,126	-1,318
Income tax paid		-330	-32
<b>Cash flow from current operations before changes in assets and liabilities</b>		<b>1,052</b>	<b>1,403</b>
Change in financial investments		-248	44
Change in other operating receivables		-110	-686
Change in other operating liabilities		-393	114
<b>Cash flow from operating activities</b>		<b>301</b>	<b>875</b>
<b>Investing activities</b>			
Net investment of intangible assets		20	-46
Net investments of tangible assets		-60	-20
<b>Cash flow from investing activities</b>		<b>-40</b>	<b>-66</b>
<b>Financing activities</b>			
Dividends paid		-709	-41
<b>Cash flow from financing activities</b>		<b>-709</b>	<b>-41</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-448</b>	<b>768</b>
Cash and cash equivalents at beginning of year		3,198	1,999
Cash flow for the year		-448	768
Translation difference on Cash and cash equivalents		92	431
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR<sup>2)</sup></b>		<b>2,842</b>	<b>3,198</b>
<sup>1)</sup> Specification of non-cash items:			
Depreciations	11, 12, 20	47	324
Capital gains on foreign exchange	6	-719	-385
Capital gains	6	-477	-334
Capital losses	8	108	264
Unrealized gains	7	-116	-844
Unrealized losses	7	534	756
Interest income	6	-365	-363
Interest expenses	8	4	4
Dividends received	6	-177	-208
Shares of result in associated companies	14	8	-
Change in provisions for outstanding claims	24	24	-529
Pension provisions		3	-3
<b>Total</b>		<b>-1,126</b>	<b>-1,318</b>
<sup>2)</sup> The following components are included in cash and cash equivalents:			
Cash and bank balances		1,055	766
Short term investments, equivalent to cash and cash equivalents		1,787	2,432
<b>Total</b>		<b>2,842</b>	<b>3,198</b>

## Performance Analysis – Group

2015 (MSEK)	Direct Swedish risks – property	Direct Swedish risks – aviation	Direct foreign risks	Assumed reinsurance	TOTAL
<b>ANALYSIS OF INSURANCE RESULT</b>					
<b>Technical result insurance operations</b>					
Premiums earned, for own account	3	3	1,367	5,733	7,106
Allocated investment return transferred from the non-technical account	-	-	13	130	143
Claims incurred, for own account	-2	-2	-833	-2,752	-3,589
Operating costs	-1	-	-590	-1,934	-2,525
<b>TECHNICAL RESULT OF INSURANCE OPERATION</b>	<b>0</b>	<b>1</b>	<b>-43</b>	<b>1,177</b>	<b>1,135</b>
<i>Of which results from prior years, gross amounts <sup>b)</sup></i>	-2	-1	-451	-350	-804
<b>Technical provisions</b>					
Unearned premiums and remaining risks	-1	-1	-893	-1,984	-2,879
Outstanding claims	-1	-2	-906	-12,227	-13,136
Claims adjustment provision	-	-	-25	-270	-295
<b>TECHNICAL PROVISIONS</b>	<b>-2</b>	<b>-3</b>	<b>-1,824</b>	<b>-14,481</b>	<b>-16,310</b>
<b>Reinsurers' share of technical provisions</b>					
Unearned premiums and remaining risks	-	-	342	394	736
Outstanding claims	-	1	284	2,096	2,381
<b>REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>	<b>-</b>	<b>1</b>	<b>626</b>	<b>2,490</b>	<b>3,117</b>
<b>Premiums earned, for own account</b>					
Gross premium income	3	3	2,627	7,056	9,689
Ceded reinsurance premium	-	-	-1,190	-1,409	-2,599
Change in gross provision for unearned premiums	-	-	-111	29	-82
Reinsurers' share of change in unearned premiums	-	-	41	57	98
<b>PREMIUMS EARNED, FOR OWN ACCOUNT</b>	<b>3</b>	<b>3</b>	<b>1,367</b>	<b>5,733</b>	<b>7,106</b>
<b>Claims incurred, for own account</b>					
Claims paid	-2	-3	-1,213	-4,126	-5,344
Reinsurers' share	-	1	526	752	1,279
Claims handling expenses	-	-	-34	-204	-238
Change in provision for outstanding claims	-	-	-180	1,196	1,016
Reinsurers' share	-	-	68	-370	-302
<b>CLAIMS INCURRED, FOR OWN ACCOUNT</b>	<b>-2</b>	<b>-2</b>	<b>-833</b>	<b>-2,752</b>	<b>-3,589</b>

<sup>b)</sup> Defined as result from underwriting year 2014 and earlier.

## Income Statement – Parent Company

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2015	2014
<b>TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS</b>			
<b>Earned premiums, for own account</b>			
Gross premium income	3	5,901	4,910
Ceded reinsurance premiums	3	-2,250	-1,629
Change in the gross provision for unearned premiums		-16	107
Change in provision for unearned premiums, reinsurers' share		76	-30
<b>Total earned premium, for own account</b>		<b>3,711</b>	<b>3,358</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>51</b>	<b>179</b>
<b>Claims incurred, for own account</b>			
Claims paid	4		
– Gross amount		-2,966	-2,806
– Reinsurers' share		985	869
<b>Claims paid, for own account</b>		<b>-1,981</b>	<b>-1,937</b>
Change in the provision for claims, for own account			
– Gross amount	4	495	597
– Reinsurers' share		-248	42
<b>Total claims incurred, for own account</b>		<b>-1,734</b>	<b>-1,298</b>
<b>Operating costs</b>	5	<b>-1,305</b>	<b>-1,208</b>
<b>Other Operating costs</b>	5	<b>-3</b>	<b>-</b>
<b>Change in equalization provision</b>	25	<b>-</b>	<b>-3</b>
<b>OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT</b>		<b>720</b>	<b>1,028</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Balance of technical account</b>		<b>720</b>	<b>1,028</b>
<b>Investment income/expenses</b>			
– Investment income	9	1,149	1,457
– Unrealized gains and losses	6	-573	-528
– Investment expenses and charges	7	-171	-175
Investment income allocated to the technical account	8	-51	-179
<b>Total investment income/expenses</b>		<b>354</b>	<b>575</b>
Goodwill depreciation	11	-5	-28
<b>Result before appropriations and taxes</b>		<b>1,069</b>	<b>1,575</b>
<b>Appropriations</b>			
Change in accelerated depreciations	22	-243	-
Provision to safety reserve		-18	3
<b>Result before taxes</b>		<b>808</b>	<b>1,578</b>
Taxes	10	-91	-192
<b>NET INCOME FOR THE YEAR</b>		<b>717</b>	<b>1,386</b>

## Statement of Comprehensive Income – Parent Company

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2015	2014
<b>Net income for the year</b>		717	1,386
<b>Other comprehensive income</b>			
Items to be reclassified to income statement:			
– Change of fair value on bonds		–60	182
– Tax on items to be reclassified to income statement		13	–40
Items reclassified to income statement:			
– Change of fair value on bonds		–55	–91
– Tax on items reclassified to income statement		12	20
<b>Other comprehensive income for the year, net of tax</b>		–90	71
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>627</b>	<b>1,457</b>



## Balance Sheet – Parent Company

DECEMBER 31 (MSEK)	Note	2015	2014
<b>ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		17	22
Other intangible assets		76	80
<b>Total intangible assets</b>		<b>93</b>	<b>102</b>
<b>Investment assets</b>			
Land and buildings	12	11	12
Shares and participations in group companies	13	10,031	10,268
Shares and participations in associated companies		122	122
Other financial investments			
– Shares and participations	15, 19	126	494
– Bonds and other interest-bearing securities	16, 19	6,302	6,970
– Derivative financial instruments	17, 19	–	25
<b>Total other financial investments</b>		<b>6,428</b>	<b>7,489</b>
Deposits with cedents		617	604
<b>Total investment assets</b>		<b>17,209</b>	<b>18,495</b>
<b>Reinsurers' share of technical provisions</b>			
Provisions for unearned premiums	23	702	582
Claims outstanding	24	1,391	1,610
<b>Total reinsurers' share of technical provisions</b>		<b>2,093</b>	<b>2,192</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations		23	36
Debtors arising out of reinsurance operations		1,772	1,603
Current tax receivables		174	–
Deferred tax receivables	10	40	41
Other debtors	18, 19	916	225
<b>Total debtors</b>		<b>2,926</b>	<b>1,905</b>
<b>Other assets</b>			
Tangible assets	20	77	37
Cash and bank balance		1,104	1,525
<b>Total other assets</b>		<b>1,181</b>	<b>1,562</b>
<b>Prepayments and accrued income</b>	19		
Accrued interest		68	90
Deferred acquisition costs	21	322	279
Other prepayments and accrued income		28	35
<b>Total prepayments and accrued income</b>		<b>419</b>	<b>404</b>
<b>TOTAL ASSETS</b>		<b>23,921</b>	<b>24,660</b>

## Balance Sheet – Parent Company, cont.

DECEMBER 31 (MSEK)	Note	2015	2014
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		24	113
Retained earnings		2,077	2,157
Net income for the year		717	1,386
<b>Total shareholders' equity</b>		<b>3,618</b>	<b>4,456</b>
<b>Untaxed reserves</b>			
Accumulated accelerated depreciations	22	29	12
Safety reserve		10,690	10,447
<b>Total untaxed reserves</b>		<b>10,719</b>	<b>10,459</b>
<b>Technical provisions</b>			
Provisions for unearned premiums	23	1,802	1,691
Claims outstanding	24, 26	5,724	6,039
Equalization provision	25	89	89
<b>Total technical provisions</b>		<b>7,615</b>	<b>7,819</b>
<b>Provisions for other risks and expenses</b>			
Pension provisions	27	16	14
Current tax liabilities		–	9
Other provisions		220	263
<b>Total provisions for other risks and expenses</b>		<b>236</b>	<b>286</b>
<b>Deposits received from reinsurers</b>		<b>301</b>	<b>419</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		7	4
Creditors arising out of reinsurance operations		508	505
Derivative financial instruments	17, 19	734	494
Other creditors	19, 28	117	164
<b>Total creditors</b>		<b>1,366</b>	<b>1,167</b>
<b>Accrued expenses and deferred income</b>	19	<b>66</b>	<b>54</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>23,921</b>	<b>24,660</b>
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	29	6,085	6,748
Other pledged assets and comparable collaterals	29	–	–
Contingent liabilities	29	3,626	3,350
Commitments	29	–	31



## Change in Shareholders' Equity – Parent Company

(MSEK)	Share Capital	Other Reserves <sup>1)</sup>	Retained earnings <sup>1)</sup>	Net profit/loss for the year <sup>1)</sup>	TOTAL SHAREHOLDERS' EQUITY
<b>Amount January 1, 2015</b>	<b>800</b>	<b>113</b>	<b>2,157</b>	<b>1,386</b>	<b>4,456</b>
Transfer of net result from previous year	-	-	1,386	-1,386	0
<i>Comprehensive income</i>					
Net profit/ loss for the year	-	-	-	717	717
<i>Other comprehensive income, net after tax</i>					
Change of fair value on bonds	-	-90	-	-	-90
Total other comprehensive income	-	-90	-	-	-90
Total comprehensive income	-	-90	-	717	627
<i>Transactions with owners</i>					
Shareholder's contribution	-	-	162	-	162
Dividend paid <sup>2)</sup>	-	-	-1,627	-	-1,627
Total transactions with owners	-	-	-1,465	-	-1,465
<b>AMOUNT DECEMBER 31, 2015</b>	<b>800</b>	<b>23</b>	<b>2,078</b>	<b>717</b>	<b>3,618</b>
<b>Amount January 1, 2014</b>	<b>800</b>	<b>42</b>	<b>2,468</b>	<b>1,266</b>	<b>4,576</b>
Transfer of net result from previous year	-	-	1,266	-1,266	0
<i>Comprehensive income</i>					
Net profit/ loss for the year	-	-	-	1,386	1,386
<i>Other comprehensive income, net after tax</i>					
Change of fair value on bonds	-	71	-	-	71
Total other comprehensive income	-	71	-	-	71
Total comprehensive income	-	71	-	1,386	1,457
<i>Transactions with owners</i>					
Dividend paid <sup>2)</sup>	-	-	-1,577	-	-1,577
Total transactions with owners	-	-	-1,577	-	-1,577
<b>AMOUNT DECEMBER 31, 2014</b>	<b>800</b>	<b>113</b>	<b>2,157</b>	<b>1,386</b>	<b>4,456</b>

<sup>1)</sup> The columns Other reserves, Retained earnings and Net profit/loss for the year together represents the non-restricted shareholders' equity for the parent company.

<sup>2)</sup> Dividend paid to the parent company Fund American Holdings AB. Dividend is equal to SEK 203 (SEK 197) per share.

## Change in Shareholders' Equity – Parent Company, cont.

(MSEK)	2015	2014
<b>SHARE CAPITAL</b>		
<b>Specified in number of shares</b>		
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000
Per December 31, 2015 the share capital comprised 8,000,000 (8,000,000) ordinary shares. The shares have a nominal value of 100 (100) SEK.		
<b>OTHER RESERVES</b>		
<b>Fair value reserve</b>		
Opening fair value reserve	145	54
Change for the year	-116	91
<b>Closing fair value reserve</b>	<b>29</b>	<b>145</b>
<b>Tax on fair value reserves</b>		
Opening tax on fair value reserves	-32	-12
Change for the year	26	-20
<b>Closing tax on fair value reserve</b>	<b>-6</b>	<b>-32</b>
<b>Fair value reserve after tax</b>		
Opening fair value reserve after tax	113	42
Change for the year	-90	71
<b>CLOSING FAIR VALUE RESERVE AFTER TAX</b>	<b>23</b>	<b>113</b>
<b>RETAINED EARNINGS</b>		
Opening retained earnings	2,157	2,468
Transfer of net result from previous year	1,386	1,266
Shareholder's contribution	162	-
Dividend paid	-1,627	-1,577
<b>CLOSING RETAINED EARNINGS</b>	<b>2,078</b>	<b>2,157</b>
<b>NET PROFIT/LOSS FOR THE YEAR</b>		
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>717</b>	<b>1,386</b>

## Cash flow Statement – Parent Company

(MSEK)	Note	2015	2014
<b>Operating Activities</b>			
Profit/loss before tax		1,069	1,574
Interest income		170	164
Interest expenses		-4	-4
Dividends received		79	756
Adjustment for non-cash items <sup>1)</sup>		-345	-598
Income tax paid		-248	-80
<b>Cash flow from current operations before changes in assets and liabilities</b>		<b>721</b>	<b>1,812</b>
Change in financial investments		-17	-352
Change in other operating receivables		314	-533
Change in other operating liabilities		-688	-466
<b>Cash flow from operating activities</b>		<b>330</b>	<b>461</b>
<b>Financing activities</b>			
Net investment of intangible assets		-21	-48
Net investments of tangible assets		-56	-19
<b>Cash flow from investing activities</b>		<b>-77</b>	<b>-67</b>
<b>Investing activities</b>			
Capital repayment		-	-4
Dividend paid		-709	-41
<b>Cash flow from financing activities</b>		<b>-709</b>	<b>-45</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-456</b>	<b>349</b>
Cash and cash equivalents at beginning of year		1,525	1,105
Cash flow for the year		-456	349
Translation difference on Cash and cash equivalents		35	71
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR <sup>2)</sup></b>		<b>1,104</b>	<b>1,525</b>
<sup>1)</sup> Specification of non-cash items:			
Depreciations	11,12,20	48	202
Capital gains on foreign exchange	6	-513	-450
Capital gains	6	-62	-158
Capital losses	8	117	120
Unrealized gains	7	-	-228
Unrealized losses	7	573	756
Interest income	6	-148	-164
Interest paid	8	4	4
Dividends received	6	-461	-756
Change in provisions for outstanding claims	24	96	73
Pension provisions		1	4
<b>Total</b>		<b>-345</b>	<b>-598</b>
<sup>2)</sup> The following components are included in Cash and cash equivalents:			
Cash and bank balances		389	273
Short term investments, equivalent to cash and cash equivalents		715	1,252
<b>Total</b>		<b>1,104</b>	<b>1,525</b>

## Performance Analysis – Parent Company

2015 (MSEK)	Direct Swedish risks – property	Direct Swedish risks – aviation	Direct foreign risks	Assumed reinsurance	TOTAL
<b>ANALYSIS OF INSURANCE RESULT</b>					
<b>Technical result insurance operations</b>					
Premiums earned, for own account	3	3	652	3,053	3,711
Allocated investment return transferred from the non-technical account	-	-	5	46	51
Claims incurred, for own account	-2	-3	-269	-1,460	-1,734
Operating costs	-1	-	-336	-968	-1,305
<b>TECHNICAL RESULT OF INSURANCE OPERATION</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>671</b>	<b>723</b>
<i>Of which results from prior years, gross amounts <sup>0</sup></i>	<i>-1</i>	<i>-2</i>	<i>-249</i>	<i>-516</i>	<i>-768</i>
<b>Technical provisions</b>					
Unearned premiums and remaining risks	-1	-1	-546	-1,254	-1,802
Outstanding claims	-	-2	-295	-5,277	-5,574
Claims adjustment provision	-	-	-10	-140	-150
Equalization provision	-	-	-	-89	-89
<b>TECHNICAL PROVISIONS</b>	<b>-1</b>	<b>-3</b>	<b>-851</b>	<b>-6,760</b>	<b>-7,615</b>
<b>Reinsurers' share of technical provisions</b>					
Unearned premiums and remaining risks	-	-	222	480	702
Outstanding claims	-	1	43	1,347	1,391
<b>REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>	<b>-</b>	<b>1</b>	<b>265</b>	<b>1,827</b>	<b>2,093</b>
<b>Premiums earned, for own account</b>					
Gross premium income	3	3	1,240	4,655	5,901
Ceded reinsurance premium	-	-	-577	-1,673	-2,250
Change in gross provision for unearned premiums	-	-	-54	38	-16
Reinsurers' share of change in unearned premiums	-	-	43	33	76
<b>PREMIUMS EARNED, FOR OWN ACCOUNT</b>	<b>3</b>	<b>3</b>	<b>652</b>	<b>3,053</b>	<b>3,711</b>
<b>Claims incurred, for own account</b>					
Claims paid	-2	-3	-527	-2,297	-2,829
Reinsurers' share	-	-	226	759	985
Claims handling expenses	-	-	-8	-129	-137
Change in provision for outstanding claims	-	-	58	437	495
Reinsurers' share	-	-	-18	-230	-248
<b>CLAIMS INCURRED, FOR OWN ACCOUNT</b>	<b>-2</b>	<b>-3</b>	<b>-269</b>	<b>-1,460</b>	<b>-1,734</b>

<sup>0</sup> Defined as result from underwriting year 2014 and earlier.

## Note 1 – Accounting principles

### GENERAL INFORMATION

This annual report was issued per December 31, 2015 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 34 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, 2015 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

The following standards are applied by the group for the first time for the financial year starting January 1 2015:

- Yearly improvements of the IFRS standards, improvement cycle 2011-2013. Refers to clarifications regarding IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- IFRIC 21 Levies that concerns accounting of property tax and fees to the Swedish Financial Supervisory Authority for their supervisory activities.

None of the IFRS standards that are mandatory for the first time for the financial year that started January 1 2015 has had any significant impact on the group's income statement or balance sheet.

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

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2015 and have not been applied in the preparation of these financial statements. These new standards and interpretations are expected to impact the group's financial reports in the following way:

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. 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 EU has not yet adopted the standard. The group is yet to assess IFRS 9's full impact.

IFRS 15 "Revenue from contracts with customers" regulates the reporting of incomes that are not yet regulated by other standards such as incomes from financial instruments, leasing and insurance contracts. The principles that IFRS 15 is built upon shall provide users of financial reports with more useful information regarding the company's revenues. The increased disclosure requirements implies that information regarding revenue segments, timing of settlement, uncertainty in connection to revenue recognition and cash flow from customers shall be disclosed. IFRS 15 is based on the principle that the revenue is recognised when the customer obtains control over the sold good or service – a principle that replaces the earlier principle that revenues are recognised when risks and benefits have passed over to the buyer. IFRS 15 replaces IAS 18, Incomes, and IAS 11, construction contracts and the related SIC and IFRIC. IFRS 15 come into effect on January 1 2018. Early adoption is permitted. The EU has not yet adopted the standard. A company can choose between a modified retrospective approach or recognizing the cumulative effect with additional disclosures. The group has not yet evaluated the effects of the introduction of the new standard.

IFRS 16 Leases. In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

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

**Note 1 – Cont.**

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

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

**Important sources of uncertainty in estimates**

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

*Technical provisions*

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

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

*Determination of fair value of financial instruments*

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

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

**APPROVAL**

The annual accounts were approved for publication by the Board of Directors on March 15, 2016. The income statement and balance sheet will be adopted at the General Meeting held in May 2016.

**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 "pre-

decessor accounting method" or at fair value. The "Predecessor accounting method" implies that the acquirer assumes the acquired company's reported book values as presented in the divested entity's accounts. Adjustment of the acquired values is to be carried out in the case that these accounts are not prepared in accordance with IFRS. Furthermore, the method implies that goodwill is not reported; any possible difference between the consideration paid and the acquired values is reported directly against shareholders equity. Intra-group business combinations are valued and accounted for according to IFRS.

**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	8.42	8.39
EUR	9.17	9.34
GBP	12.47	12.84

**Note 1 – Cont.****INSURANCE CONTRACTS**

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

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

Gross premiums written relate to insurance contracts inception during the financial year, together with any differences between booked premiums for prior financial years and those premiums previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations. The gross premium income also includes the net of entered and withdrawn premium portfolios. Gross premiums written are stated before deduction of brokerage, taxes, duties levied on premiums and other deductions. Premiums are earned on a pro rata temporis basis over the term of the related contract, except for those contracts where the period of risk differs significantly from the contract period, or where the exposure varies 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 bi-annually. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment is recorded in the income statement.

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

Investment return is transferred from the non-technical account to the technical account on the basis of average technical provisions for the Company's own account, less deductions for net receivables in insurance operations. This capital base is allocated per currency. The transferred investment return is calculated on the basis of an interest rate per currency equivalent to the actual total yield from the investment assets belonging to the insurance operations. The weighted average interest rate for 2015 amounted to 1.25 %.

**Note 1 – Cont.****Applied interest rates**

%	2015	2014
EUR	1.12 %	7.31 %
GBP	1.95 %	6.65 %
SEK	0.78 %	4.44 %
USD	1.27 %	2.12 %

**Investment income**

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

**Investment expenses and charges**

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

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

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

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

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

Share of associated company's profit or loss represents Sirius' share of the associated company's result, accounted for according to the equity accounting method. Currency translation effects are recorded in Other comprehensive income.

**INCOME TAX**

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

**Current tax**

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

**Deferred tax**

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

The Group recognizes deferred tax assets on each closing day to the extent that it is probable that they can be used against future taxable income. This is

based on assumptions on future profitability and earnings. If these assumptions change it could imply future reductions in deferred tax assets. Estimating future earnings, historical experience and assumptions of the future development of the underlying asset is considered.

**INTANGIBLE ASSETS****Goodwill**

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

**Other intangible assets**

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

**Self-developed software**

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

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

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

**Licenses**

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

**LAND AND BUILDINGS**

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

**FINANCIAL INSTRUMENTS**

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

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

**Classification and valuation**

Financial instruments are initially recorded at acquisition value corresponding



**Note 1 – Cont.**

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

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

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

**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, 2018 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 19.

*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

**Note 1 – Cont.**

value in use. In the calculation of value in use, future cash flow is discounted by a discount factor that considers the risk-free interest rate and the risk associated with the specific asset.

*Reversal of impairment*

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

**DIVIDENDS**

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

**OTHER PROVISIONS**

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

**Pensions and similar commitments**

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

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

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

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

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

For defined contribution pension plans, the Group pays fees to publicly or

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

**Remuneration upon termination of employment**

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

**CONTINGENT LIABILITIES**

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

**PARENT COMPANY'S ACCOUNTING PRINCIPLES**

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

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

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

*Goodwill*

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

**Note 1 – Cont.***Pensions*

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

*Appropriations and untaxed reserves*

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

Taxation legislation in Sweden gives companies the option of decreasing taxable income for the year by making provisions to untaxed reserves. When applicable, untaxed reserves are set off against fiscal loss deductions or become subject to taxation upon resolution. In accordance with Swedish practice, changes in untaxed reserves are recorded in the income statement. Provisions made to untaxed reserves are recorded in the income statement under the heading Appropriations. The accumulated value of the provisions is recorded in the balance sheet under the heading Untaxed Reserves.

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

*Equalization provision*

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

*Group contributions and shareholders' contributions for legal entities*

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

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

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

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





## Note 2 – Information on risks

### RISK MANAGEMENT

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

ERM is an ongoing process with the objective of creating a risk management culture that emanates from top management and which permeates throughout the entire organization. Sirius strives to maintain a risk culture where employees are aware of and measure, assess and communicate risk as part of their responsibilities. Management's role includes communicating, implementing, monitoring and 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, 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 2014 and 2015.

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

	2015		2014	
	Once per 100 years	Once per 250 years	Once per 100 years	Once per 250 years
Global – Gross	4,688	5,423	4,345	5,054
Global – Net	2,918	3,572	3,923	4,687
Europe – Gross	3,209	4,187	3,192	4,063
Europe – Net	1,436	1,852	1,458	1,803
US – Gross	4,255	5,156	3,993	4,756
US – Net	2,808	3,488	3,846	4,573

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 24 Claims reserve, where a specification of claims costs and expenses relating to the current year and prior years is made.

The Group has asbestos and environmental claims amounting to MSEK 1,598 (1,498) 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 2015 is caused entirely by changes in fx. In original currency (USD) we have a 1.5 % reserve decrease.

**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 2015. 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.

## 10-YEAR TABLE

GROUP - CLAIMS, GROSS											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
<b>Estimated claims:</b>											
at the close of the calendar year	2,936	4,105	4,200	4,069	3,380	4,939	3,451	3,254	2,886	2,894	
1 year later	3,714	4,997	5,240	5,893	8,544	6,412	4,575	4,894	4,990		
2 years later	6,279	4,977	5,226	9,051	8,412	6,618	4,336	4,774			
3 years later	6,204	4,878	8,997	8,905	8,358	6,255	4,230				
4 years later	7,201	8,910	8,960	8,832	8,179	6,082					
5 years later	10,482	8,873	8,941	8,742	8,123						
6 years later	9,044	8,866	8,898	8,785							
7 years later	6,306	8,842	8,837								
8 years later	6,282	8,831									
9 years later	6,286										
Current estimate of total claims	6,286	8,831	8,837	8,785	8,123	6,082	4,230	4,774	4,990	2,894	
Total paid	6,030	8,575	8,570	8,532	7,710	5,813	3,661	3,946	3,113	454	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>	<b>256</b>	<b>256</b>	<b>268</b>	<b>253</b>	<b>414</b>	<b>269</b>	<b>570</b>	<b>828</b>	<b>1,876</b>	<b>2,441</b>	<b>7,430</b>
<b>2005 AND PRIOR YEARS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,705</b>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,136</b>
GROUP - CLAIMS, NET OF REINSURANCE UNDERWRITING YEAR											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
<b>Estimated claims:</b>											
at the close of the calendar year	2,634	3,653	3,859	3,539	2,792	4,448	3,171	2,360	2,064	2,128	
1 year later	3,354	4,477	4,629	4,591	7,844	6,065	3,952	3,447	3,629		
2 years later	3,480	4,429	4,573	7,887	7,579	6,016	3,680	3,367			
3 years later	3,449	4,329	8,647	7,453	7,532	5,657	3,583				
4 years later	3,418	8,567	7,872	7,386	7,347	5,628					
5 years later	6,151	8,165	7,751	7,316	7,304						
6 years later	5,875	7,756	7,719	7,351							
7 years later	5,818	7,731	7,694								
8 years later	5,795	7,721									
9 years later	5,799										
Current estimate of total claims	5,799	7,721	7,694	7,351	7,304	5,628	3,583	3,367	3,629	2,128	
Total paid	5,550	7,487	7,447	7,123	6,964	5,388	3,150	2,761	2,108	269	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>	<b>249</b>	<b>235</b>	<b>247</b>	<b>228</b>	<b>340</b>	<b>240</b>	<b>433</b>	<b>606</b>	<b>1,521</b>	<b>1,859</b>	<b>5,959</b>
<b>2005 AND PRIOR YEARS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,795</b>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,755</b>
PARENT COMPANY - CLAIMS, GROSS UNDERWRITING YEAR											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
<b>Estimated claims:</b>											
at the close of the calendar year	2,936	4,105	4,200	4,069	3,380	2,366	2,203	2,389	1,882	1,772	
1 year later	3,714	4,997	5,240	5,893	5,131	3,493	2,902	3,323	2,760		
2 years later	6,279	4,977	5,226	5,612	4,966	3,335	2,747	3,125			
3 years later	6,204	4,878	5,143	5,530	4,936	3,148	2,690				
4 years later	7,201	4,855	5,150	5,491	4,833	3,113					
5 years later	7,874	4,841	5,129	5,433	4,805						
6 years later	6,504	4,839	5,083	5,455							
7 years later	3,768	4,842	5,035								
8 years later	3,766	4,835									
9 years later	3,767										
Current estimate of total claims	3,767	4,835	5,035	5,455	4,805	3,113	2,690	3,125	2,760	1,772	
Total paid	3,719	4,760	4,898	5,290	4,497	2,775	2,259	2,502	1,648	196	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>	<b>48</b>	<b>75</b>	<b>137</b>	<b>166</b>	<b>309</b>	<b>338</b>	<b>431</b>	<b>623</b>	<b>1,111</b>	<b>1,575</b>	<b>4,814</b>
<b>2005 AND PRIOR YEARS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>760</b>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,574</b>
PARENT COMPANY - CLAIMS, NET OF REINSURANCE UNDERWRITING YEAR											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
<b>Estimated claims:</b>											
at the close of the calendar year	2,634	3,653	3,859	3,539	2,792	1,844	1,780	1,497	1,234	1,232	
1 year later	3,354	4,477	4,629	4,591	4,287	2,662	2,226	2,109	1,820		
2 years later	3,480	4,429	4,573	4,349	4,111	2,527	2,062	1,985			
3 years later	3,449	4,329	4,485	4,346	4,084	2,343	1,994				
4 years later	3,418	4,303	4,501	4,318	3,963	2,317					
5 years later	3,410	4,290	4,488	4,262	3,939						
6 years later	3,401	4,290	4,442	4,278							
7 years later	3,402	4,296	4,412								
8 years later	3,404	4,291									
9 years later	3,405										
Current estimate of total claims	3,405	4,291	4,412	4,278	3,939	2,317	1,994	1,985	1,820	1,232	
Total paid	3,365	4,236	4,315	4,165	3,716	2,009	1,699	1,576	1,007	101	
<b>CLAIMS OUTSTANDING <sup>1)</sup></b>	<b>41</b>	<b>54</b>	<b>97</b>	<b>113</b>	<b>224</b>	<b>307</b>	<b>295</b>	<b>409</b>	<b>813</b>	<b>1,131</b>	<b>3,484</b>
<b>2005 AND PRIOR YEARS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>700</b>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,183</b>

<sup>1)</sup> For reconciliation against Balance Sheet, see Note 24.

**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 2015 yielded a total return of 3.2 percent (4.7 percent in 2014), expressed in SEK. The duration in the portfolio with interest-bearing investments at the end of 2015 was 2.38 years which was slightly higher compared to 2014 (2.1 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	
	2015	2014	2015	2014
Bonds and other interest-bearing securities	71.08	68.02	37.18	35.77
Shares in associated companies	0.52	0.46	59.90	53.31
Shares and participations	20.41	19.44	0.74	2.53
– <i>whereof venture capital companies</i>	1.34	1.73	0.64	0.50
Derivatives	-2.79	0.09	-4.33	0.13
Cash and bank balances	10.78	11.99	6.51	8.26
<b>TOTAL</b>	<b>100.00</b>	100.00	<b>100.00</b>	100.00





**Note 2 – Cont.**

Below, the company's exposure and sensitivity to the respective market risks are described. The descriptions are made on the basis of the company's reporting of the Traffic Light model to the Swedish FSA as per December 31, 2015 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, 2015 and December 31, 2014.

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

GROUP	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
	2015	2014	2015	2014	2015	2014
Assets in SEK	1,679	2,506	100 bp	100 bp	33	60
Assets in EUR	1,479	1,540	100 bp	100 bp	75	40
Assets in USD and other currencies	14,524	13,889	100 bp	100 bp	290	297
<b>TOTAL</b>	<b>17,681</b>	<b>17,935</b>	<b>-</b>	<b>-</b>	<b>399</b>	<b>397</b>

PARENT COMPANY	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
	2015	2014	2015	2014	2015	2014
Assets in SEK	1,304	2,056	100 bp	100 bp	24	53
Assets in EUR	1,478	1,540	100 bp	100 bp	75	40
Assets in USD and other currencies	4,519	3,374	100 bp	100 bp	101	102
<b>TOTAL</b>	<b>7,301</b>	<b>6,970</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>195</b>

*Equity Risk*

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

mitigated by a diversification of the equity securities portfolio. The tables below show the equity risk in accordance with the risk scenarios per the Traffic Light model as per December 31, 2015 and December 31, 2014.

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

GROUP	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
	2015	2014	2015	2014	2015	2014
Foreign shares and participations	5,387	5,186	35 %	35 %	1,885	1,815
Foreign subsidiaries and associated companies	127	122	35 %	35 %	45	43
<b>Total</b>	<b>5,514</b>	<b>5,308</b>	<b>-</b>	<b>-</b>	<b>1,930</b>	<b>1,858</b>

PARENT COMPANY	EXPOSURE (MSEK)		SCENARIO, STRESS TEST		CAPITAL REQUIREMENTS (MSEK)	
	2015	2014	2015	2014	2015	2014
Foreign shares and participations	2,858	3,544	35 %	35 %	1,000	1,240
Foreign subsidiaries and associated companies	8,223	7,103	35 %	35 %	2,878	2,487
<b>Total</b>	<b>11,081</b>	<b>10,647</b>	<b>-</b>	<b>-</b>	<b>3,878</b>	<b>3,727</b>

**Note 2 – Cont.****Currency Risk**

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

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

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

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

**EXCHANGE RATE EXPOSURE – INVESTMENT ASSETS**

GROUP	2015				2014			
	USD	EUR	GBP	Other	USD	EUR	GBP	Other
Shares and participations	5,496	5	–	–	5,230	15	–	–
Bonds and other interest-bearing securities	13,635	1,488	1,701	–	12,837	1,505	1,315	264
Other financial investment assets	2,244	145	63	309	2,328	156	34	285
Other assets and liabilities, net	2,910	94	4	163	2,716	–121	74	128
<b>Total assets</b>	<b>24,285</b>	<b>1,732</b>	<b>1,768</b>	<b>472</b>	23,111	1,555	1,423	677
Technical provisions, net	–10,503	–1,309	–330	–518	–10,500	–1,372	–260	–503
<b>Total liabilities and provisions</b>	<b>–10,503</b>	<b>–1,309</b>	<b>–330</b>	<b>–518</b>	–10,500	–1,372	–260	–503
Net exposure before financial hedging with derivatives	13,782	423	1,438	–46	12,611	183	1,163	174
Nominal value currency forwards	–5,055	–	–	–	–4,666	–6	–	–
<b>NET EXPOSURE AFTER FINANCIAL HEDGING WITH DERIVATIVES</b>	<b>8,727</b>	<b>423</b>	<b>1,438</b>	<b>–46</b>	7,945	177	1,163	174

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
2015	Change 25 basis points	259	12	29	–	300
	Change 10 %	873	42	144	5	1,064
2014	Change 25 basis points	256	5	24	–	285
	Change 10 %	795	18	116	17	946

**Note 2 – Cont.****CREDIT RISK**

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

**Credit risk in investment assets**

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

**Credit spread risk in investment assets**

Credit spread risk results from the sensitivity of the value of fixed income assets to changes in the level or in the volatility of credits spreads over the risk-free term structure. Assets sensitive to changes in credit spreads may also give rise to 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, 2015 and December 31, 2014.

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

GROUP	EXPOSURE (MSEK)		AVERAGE CREDIT SPREAD		SCENARIO IMPACT		CAPITAL REQUIREMENTS (MSEK)	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets with Credit risk - all currencies	13,982	13,087	1.26	0.94	-3.8 %	-3.0 %	526	397

PARENT COMPANY	EXPOSURE (MSEK)		AVERAGE CREDIT SPREAD		SCENARIO IMPACT		CAPITAL REQUIREMENTS (MSEK)	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets with Credit risk - all currencies	5,374	4,523	1.34	1.07	-4.9 %	-4.5 %	265	205

**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	
	2015	2014	2015	2014
Bonds and other interest-bearing assets	18,738	18,148	6,302	6,970
– Governments	1,687	3,236	421	1,896
– Swedish mortgage institutions	480	486	377	386
– Other Swedish issuers	–	–	–	–
– Other issuers	16,571	14,426	5,504	4,688
Shares in associated Companies	127	122	10,153	10,390
Shares and participations	5,387	5,186	126	494
Derivatives	–	25	–	25
<b>TOTAL</b>	<b>24,252</b>	<b>23,481</b>	<b>16,581</b>	<b>17,879</b>

**Note 2 – Cont.**

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

**GROUP 2015**

Name of security	Type of security	Market value (MSEK)	% of financial assets
Symetra Financial Corporation	Share	3,012	12.08
OneBeacon Insurance Group	Share	766	3.07
SPDR S&P 500 ETF Trust	Share	378	1.52
Swedbank Hypotek AB	Bond	377	1.51
ISHARES Core S&P 500 ETF	Share	370	1.48
JPMorgan Chase & Co	Bond	327	1.31
Nordax Finans AB	Bond	219	0.88
Total Capital Canada Ltd	Bond	216	0.87
Verizon Communications	Bond	160	0.64
Telenor ASA	Bond	132	0.53
<b>Total</b>		<b>5,957</b>	<b>23.89</b>

**PARENT COMPANY 2015**

Name of security	Type of security	Market value (MSEK)	% of financial assets
SI Phoenix (Luxembourg) S.à r.l. <sup>1)</sup>	Shares in Subsidiary	6,158	35.78
S.I. Holdings (Luxembourg) S.à r.	Shares in Subsidiary	3,572	20.76
Swedbank Hypotek AB	Bond	377	2.19
Sirius International Holdings (NL) B.V.	Shares in Subsidiary	269	1.56
Total Capital Canada Ltd	Bond	233	1.35
Nordax Finans AB	Bond	219	1.28
Telenor ASA	Bond	132	0.77
BE Reinsurance Ltd	Shares in Associated Company	128	0.74
Scania CV AB	Bond	96	0.56
MLSSS Ltf	Share	77	0.45
<b>TOTAL</b>		<b>11,261</b>	<b>65.44</b>

<sup>1)</sup> Formerly WM Phoenix (Luxembourg) S.à r.l.



**Note 2 – Cont.****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	Bond	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
<b>TOTAL</b>		<b>5,386</b>	<b>22.32</b>

**PARENT COMPANY 2014**

Name of security	Type of security	Market value (MSEK)	% of financial assets
SI Phoenix (Luxembourg) S.à r.l. <sup>1)</sup>	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
<b>TOTAL</b>		<b>11,224</b>	<b>60.67</b>

<sup>1)</sup> Formerly WM Phoenix (Luxembourg) S.à r.l.



**Note 2 – Cont.**

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

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

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

GROUP	2015							2014						
	AAA	AA	A	BBB	CCC	Not rated	TOTAL	AAA	AA	A	BBB	CCC	Not rated	TOTAL
Bonds and other interest-bearing securities	22	24	20	34	–	–	100	22	26	18	33	–	1	100
– Swedish government	0	–	–	–	–	–	0	100	–	–	–	–	–	100
– Swedish mortgage institutions	100	–	–	–	–	–	100	100	–	–	–	–	–	100
– Other Swedish institutions	0	–	–	–	–	–	0	0	–	–	–	–	–	0
– Foreign governments	27	64	8	1	–	–	100	20	78	1	1	–	–	100
– Other foreign issuers	19	20	22	39	–	–	100	13	24	22	40	–	1	100

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

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Western Europe	0.62	3.88	3.62	7.61
North America	96.85	95.84	96.15	92.26
Other	2.53	0.28	0.23	0.13
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Western Europe	23.30	17.93	57.86	40.50
North America	73.85	71.20	35.43	34.37
Scandinavia	2.61	9.46	5.99	21.49
Other	0.25	1.41	0.72	3.64
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Governments	9.15	18.04	6.68	27.20
Swedish mortgage institutions	2.61	2.71	5.99	5.54
Other Swedish issuers	0	0	0	0
Other foreign issuers	88.24	79.25	87.33	67.26
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Credit risk on receivables with reinsurers*

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

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

The credit risk reserve for bad debts amounted, as per December 31, 2015, to MSEK 74 for the Group, whereof MSEK 22 at Sirius International (2014 MSEK 73 for the Group, MSEK 31 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
2015	Net receivables	731	100	50	8	5	119	1,013
2014	Net receivables	644	82	32	6	2	103	869
PARENT COMPANY	Due for	<1 Month	1-3 Months	4-6 Months	7-9 Months	10-12 Months	>1 Year	TOTAL
2015	Net receivables	109	24	22	6	1	83	245
2014	Net receivables	149	33	23	2	1	40	248

In accordance with Sirius International's policy for write-downs of receivables outstanding for more than 1 year, there is a specific reserve for counterparties which are not classified as IDC companies (Insolvent and Doubtful Companies) which totals MSEK 6 (7) at December 31, 2015.

*Retrocession credit risk*

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

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

GROUP	2015				2014			
	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	0	0	0	0	0	0	0	0
AA+	460	0	460	15	446	0	446	14
AA	269	7	262	9	264	7	257	8
AA-	300	2	298	10	357	12	344	11
A+	487	28	460	15	449	17	432	14
A	193	0	193	6	263	7	257	8
A-	543	73	469	17	495	28	467	16
BBB+	36	0	36	1	82	0	82	3
BBB or lower	208	39	169	7	304	96	208	10
Special approval	621	124	497	20	519	147	372	16
<b>TOTAL</b>	<b>3,117</b>	<b>273</b>	<b>2,844</b>	<b>100</b>	<b>3,179</b>	<b>314</b>	<b>2,865</b>	<b>100</b>

PARENT COMPANY	2015				2014			
	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	244	7	237	12	240	7	233	11
AA-	181	0	181	9	199	12	187	9
A+	304	0	304	14	321	0	321	15
A	136	0	136	7	210	0	210	10
A-	504	0	504	24	512	0	512	23
BBB+	34	0	34	1	78	0	78	4
BBB or lower	79	0	79	4	113	0	113	5
Special approval	611	124	487	29	519	147	372	23
<b>TOTAL</b>	<b>2,093</b>	<b>131</b>	<b>1,962</b>	<b>100</b>	<b>2,192</b>	<b>166</b>	<b>2,026</b>	<b>100</b>

**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' 2015 Retrocession Program. (The table represents the Parent Company since external reinsurance, at large, does not exist in other parts of the Group).

**STANDARD & POOR'S OR EQUIVALENT**

PARENT COMPANY	2015				2014			
	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AA+	0	0	0	0	0	0	0	0
AA	215	0	215	4	148	0	148	3
AA-	1,338	0	1,338	26	1,016	0	1,016	23
A+	2,066	0	2,066	41	2,105	33	2,072	47
A	157	0	157	3	142	0	142	3
A-	915	0	915	18	378	0	378	9
BBB+	63	46	17	0	87	19	68	2
BBB or lower	63	77	(14)	0	39	42	-3	0
Special approval	1,705	1,298	407	8	760	186	574	13
<b>TOTAL</b>	<b>6,522</b>	<b>1,421</b>	<b>5,101</b>	<b>100</b>	<b>4,675</b>	<b>280</b>	<b>4,395</b>	<b>100</b>

**LIQUIDITY RISK**

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

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

sets and insurance liabilities. At the end of 2015 the duration of interest-bearing investment assets was 2.4 years (2.1 years at the end of 2014) and the duration of insurance liabilities was 5.0 years (5.0 years at the end of 2014). 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 2015	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities	–	689	1,300	8,702	7,737	–	18,428
Shares & participations in Associated Companies	–	–	–	–	–	127	127
Shares & participations	–	–	–	–	–	5,387	5,387
Cash & bank balances	2,842	–	–	–	–	–	2,842
Receivables, direct insurance	–	–	–	–	–	168	168
Receivables, reinsurance	–	680	1,880	67	–	30	2,657
Other debtors	–	–	168	65	28	–	261
Prepayments and accrued income	–	9	153	1	–	–	163
<b>TOTAL</b>	<b>2,842</b>	<b>1,378</b>	<b>3,501</b>	<b>8,835</b>	<b>7,765</b>	<b>5,713</b>	<b>30,034</b>

GROUP 2014	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities	–	853	1,971	8,228	6,883	–	17,935
Shares & participations in Associated 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
<b>TOTAL</b>	<b>3,198</b>	<b>1,660</b>	<b>3,805</b>	<b>8,353</b>	<b>6,905</b>	<b>5,424</b>	<b>29,345</b>

PARENT COMPANY 2015	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Bonds and other interest-bearing securities	–	155	722	2,752	2,673	–	6,302
Shares & participations in Group companies	–	–	–	–	–	10,153	10,153
Shares & participations	–	–	–	–	–	126	126
Cash & bank balances	1,104	–	–	–	–	–	1,104
Receivables, direct insurance	–	–	–	–	–	23	23
Receivables, reinsurance	–	107	1,598	67	–	–	1,772
Other debtors	–	–	9	39	–	869	917
Prepayments and accrued income	–	9	87	1	–	–	97
<b>TOTAL</b>	<b>1,104</b>	<b>271</b>	<b>2,416</b>	<b>2,859</b>	<b>2,673</b>	<b>11,171</b>	<b>20,494</b>

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	–	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
<b>TOTAL</b>	<b>1,525</b>	<b>802</b>	<b>2,514</b>	<b>3,133</b>	<b>2,310</b>	<b>11,085</b>	<b>21,369</b>

## Note 2 – Cont.

## LIQUIDITY PROFILE – FINANCIAL DEBTS (CONTRACTUAL OUTFLOWS)

GROUP 2015	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	75	–	–	13	88
Payables, reinsurance	–	–	437	–	–	53	490
Other creditors	–	–	145	–	27	–	172
Accrued expenses and deferred income	–	–	293	136	22	3	454
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>950</b>	<b>136</b>	<b>49</b>	<b>69</b>	<b>1,204</b>

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
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>986</b>	<b>137</b>	<b>36</b>	<b>123</b>	<b>1,282</b>

PARENT COMPANY 2015	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	–	–	–	–	–	7	7
Payables, reinsurance	–	–	455	–	–	53	508
Other creditors	–	–	66	–	16	51	133
Accrued expenses and deferred income	–	–	204	78	–	3	285
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>725</b>	<b>78</b>	<b>16</b>	<b>114</b>	<b>933</b>

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
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>756</b>	<b>73</b>	<b>14</b>	<b>162</b>	<b>1,005</b>

## LIQUIDITY PROFILE – TECHNICAL PROVISIONS

Estimated claim payments, net, excluding ULAE.

	GROUP					PARENT COMPANY				
	<3 months	3 months – 1 year	1–5 years	>5 years	TOTAL	<3 months	3 months – 1 year	1–5 years	>5 years	TOTAL
<b>2015</b>	809	2,482	4,191	4,327	11,809	366	1,138	1,763	1,525	4,792
<b>2014</b>	812	2,485	4,348	4,115	11,760	403	1,247	2,013	1,230	4,893

**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 reviews. The business organization is also responsible for managing compliance risks and for reporting of compliance risks to the Compliance function. The Compliance function supports the Board and business organization by informing, advising and monitoring compliance issues and risks throughout the Group. Compliance risk assessments are made of both internal and external compliance risks, continuously and on annual basis.

**SOLVENCY II**

Sirius has been preparing for compliance with the Solvency II regulation. The company has for a number of years been working with this in a project 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. The project is now in its final stage and will be closed during 2016.

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

**SOLVENCY AND CAPITAL REQUIREMENTS**

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

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

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

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

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

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, 2015 and 2014.

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

	2015	2014
Total capital net requirement	4,267	4,215
Capital buffer	17,414	16,528
<b>SURPLUS</b>	<b>13,147</b>	<b>12,313</b>

**FINANCIAL STRENGTH RATING**

The financial strength of Sirius has during 2015 been rated by Standard & Poor’s and A. M. Best.

GROUP AND PARENT COMPANY	2015		2014	
	S&P <sup>1)</sup>	A.M. Best <sup>2)</sup>	S&P <sup>1)</sup>	A.M. Best <sup>2)</sup>
Financial Strength Rating	A-	A	A-	A
Outlook	Stable	Negative	Stable	Stable

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

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

### Note 3 – Premium income

#### PREMIUM INCOME, GEOGRAPHICAL ALLOCATION

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Direct insurance, Sweden	6	6	6	6
Direct insurance, other EES	297	249	77	130
Direct insurance, other countries	2,330	1,342	1,163	686
Premiums for assumed reinsurance	7,056	6,040	4,655	4,088
<b>Premium income before ceded reinsurance</b>	<b>9,689</b>	<b>7,637</b>	<b>5,901</b>	<b>4,910</b>
Premium for ceded reinsurance	-2,599	-1,707	-2,250	-1,629
<b>PREMIUM INCOME AFTER CEDED REINSURANCE</b>	<b>7,090</b>	<b>5,930</b>	<b>3,651</b>	<b>3,281</b>

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

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

GROUP	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-450	133	-317	-526	149	-377
Loss portfolios	44	0	44	43	0	43
Change in provision for incurred and reported claims	-992	254	-738	-1,142	361	-781
Change in provision for incurred but not reported claims (IBNR)	-1,486	335	-1,151	-909	197	-712
Claims handling expenses	-238	0	-238	-186	0	-186
<b>TOTAL CLAIMS INCURRED FOR THE YEAR'S OPERATIONS</b>	<b>-3,122</b>	<b>722</b>	<b>-2,400</b>	<b>-2,720</b>	<b>707</b>	<b>-2,013</b>

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

GROUP	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-4,891	1,155	-3,736	-3,917	841	-3,076
Loss portfolios	-47	-9	-56	-47	5	-42
Change in provision for incurred and reported claims	1,926	-549	1,377	1,660	-336	1,324
Change in provision for incurred but not reported claims (IBNR)	1,568	-342	1,226	1,546	-186	1,360
<b>TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS</b>	<b>-1,444</b>	<b>255</b>	<b>-1,189</b>	<b>-758</b>	<b>324</b>	<b>-434</b>
<b>TOTAL CLAIMS INCURRED</b>	<b>-4,566</b>	<b>977</b>	<b>-3,589</b>	<b>-3,478</b>	<b>1,031</b>	<b>-2,447</b>

#### TOTAL CLAIMS PAID

GROUP	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-5,341	1,288	-4,053	-4,443	990	-3,453
Loss portfolios	-3	-9	-12	-4	5	1
Claims handling expenses	-238	0	-238	-186	0	-186
<b>TOTAL CLAIMS PAID</b>	<b>-5,582</b>	<b>1,279</b>	<b>-4,303</b>	<b>-4,633</b>	<b>995</b>	<b>-3,638</b>

## Note 4 – Cont.

## CHANGE IN PROVISION FOR OUTSTANDING CLAIMS

GROUP	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	934	-295	639	518	25	543
Change in provision for incurred but not reported claims (IBNR)	82	-7	75	637	11	648
<b>TOTAL CHANGE IN PROVISIONS FOR OUTSTANDING CLAIMS</b>	<b>1,016</b>	<b>-302</b>	<b>714</b>	<b>1,155</b>	<b>36</b>	<b>1,191</b>

## CLAIMS INCURRED FOR THE YEAR'S OPERATIONS

PARENT COMPANY	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-242	96	-146	-355	123	-232
Loss portfolios	45	0	45	43	0	43
Change in provision for incurred and reported claims	-752	223	-529	-932	335	-597
Change in provision for incurred but not reported claims (IBNR)	-860	231	-629	-505	154	-351
Claims handling expenses	-137	0	-137	-149	0	-149
<b>TOTAL CLAIMS FOR THE YEAR'S OPERATIONS</b>	<b>-1,946</b>	<b>550</b>	<b>-1,396</b>	<b>-1,898</b>	<b>612</b>	<b>-1,286</b>

## CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS

PARENT COMPANY	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-2,585	899	-1,686	-2,298	740	-1,558
Loss portfolios	-47	-10	-57	-47	6	-41
Change in provision for incurred and reported claims	1,294	-459	835	1,187	-295	892
Change in provision for incurred but not reported claims (IBNR)	813	-243	570	847	-152	695
<b>TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS</b>	<b>-525</b>	<b>187</b>	<b>-338</b>	<b>-311</b>	<b>299</b>	<b>-12</b>
<b>TOTAL CLAIMS INCURRED</b>	<b>-2,471</b>	<b>737</b>	<b>-1,734</b>	<b>-2,209</b>	<b>911</b>	<b>-1,298</b>

## TOTAL CLAIMS PAID

PARENT COMPANY	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-2,827	995	-1,832	-2,653	863	-1,790
Loss portfolios	-2	-10	-12	-4	6	2
Claims handling expenses	-137	0	-137	-149	0	-149
<b>TOTAL CLAIMS PAID</b>	<b>-2,966</b>	<b>985</b>	<b>-1,981</b>	<b>-2,806</b>	<b>869</b>	<b>-1,937</b>

## CHANGE IN PROVISION FOR OUTSTANDING CLAIMS

PARENT COMPANY	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	542	-236	306	255	40	295
Change in provision for incurred but not reported claims (IBNR)	-47	-12	-59	342	2	344
<b>TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS</b>	<b>495</b>	<b>-248</b>	<b>247</b>	<b>597</b>	<b>42</b>	<b>639</b>

## Note 5 – Operating costs

### SPECIFICATION OF INCOME STATEMENT ITEM OPERATING COSTS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Acquisition costs	-2,251	-1,711	-1,302	-973
Change in prepaid acquisition costs (+/-)	52	10	30	-9
Administrative expenses	-932	-898	-549	-570
Provisions and profit shares in ceded reinsurance (-)	606	381	516	344
<b>TOTAL OPERATING COSTS</b>	<b>-2,525</b>	<b>-2,218</b>	<b>-1,305</b>	<b>-1,208</b>

### OTHER OPERATING COSTS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Operating costs	-2,525	-2,218	-1,305	-1,208
Claims handling expenses included in claims paid	-238	-186	-137	-149
Asset management costs included in Investment expenses	-101	-89	-48	-48
Expenses for land and buildings included in Investment expenses, net	-2	-3	-2	-3
Other operating costs	-45	-53	-3	-
<b>TOTAL OTHER OPERATING COSTS</b>	<b>-2,911</b>	<b>-2,549</b>	<b>-1,495</b>	<b>-1,408</b>

### TOTAL OPERATING COSTS PER TYPE

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Direct and indirect personnel costs	-787	-816	-525	-547
Premises costs	-71	-68	-47	-46
Depreciation/amortization	-48	-59	-45	-55
Other expenses related to operations	-2,005	-1,607	-878	-760
<b>TOTAL OTHER OPERATING COSTS</b>	<b>-2,911</b>	<b>-2,549</b>	<b>-1,495</b>	<b>-1,408</b>



## Note 6 – Investment income

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Dividend income from:</b>				
Foreign shares and participations	177	208	461	756
<b>Interest income</b>				
Bonds and other interest-bearing securities	354	326	133	146
Other interest income	12	38	15	18
– of which from financial assets not valued at fair value with changes in value reported in the income statement	–	–	–	–
<b>Capital gains on foreign exchange, net</b>	<b>627</b>	<b>316</b>	<b>478</b>	<b>379</b>
<b>Capital gains and reversed write-downs (net)</b>				
Foreign shares	404	142	7	15
Group and associated companies	–	4	–	–
Interest-bearing securities	73	136	55	91
Derivatives	–	52	–	52
<b>TOTAL RETURN ON CAPITAL, INCOME</b>	<b>1,647</b>	<b>1,222</b>	<b>1,149</b>	<b>1,457</b>

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

## Note 7 – Unrealized gains and losses on investments

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Foreign shares and participations	116	332	–8	–14
Bonds and other interest-bearing securities	–78	–14	–	–
Derivative financial instruments	–261	–742	–261	–742
Currency	–195	512	–304	228
<b>TOTAL UNREALIZED GAINS AND LOSSES ON INVESTMENTS</b>	<b>–418</b>	<b>88</b>	<b>–573</b>	<b>–528</b>

## Note 8 – Investment expenses and charges

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Operating expenses for land and buildings</b>	<b>–2</b>	<b>–3</b>	<b>–2</b>	<b>–3</b>
<b>Asset management costs</b>	<b>–101</b>	<b>–89</b>	<b>–48</b>	<b>–48</b>
<b>Interest expenses</b>				
Other interest expenses	–4	–4	–4	–4
<b>Capital losses on foreign exchange, net</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Capital losses</b>				
Group and associated companies	–13	–	–22	–
Goodwill impairment	–	–264	–	–120
Derivative financial instruments	–95	–	–95	–
<b>TOTAL</b>	<b>–215</b>	<b>–360</b>	<b>–171</b>	<b>–175</b>

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

### FINANCIAL ASSETS

GROUP 2015	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	684	–	–	–	684
Derivative financial instruments	–	–356	–	–	–356
Bonds and other interest-bearing securities	115	–	127	–	242
Deposits with cedants	–	–	–	8	8
Cash and bank balance	–	–	–	–3	–3
<b>TOTAL</b>	<b>799</b>	<b>–356</b>	<b>127</b>	<b>5</b>	<b>575</b>

PARENT COMPANY 2015	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	438	–	–	–	438
Derivative financial instruments	–	–356	–	–	–356
Bonds and other interest-bearing securities	–	–	84	–	84
Deposits with cedants	–	–	–	6	6
Cash and bank balance	–	–	–	6	6
<b>TOTAL</b>	<b>438</b>	<b>–356</b>	<b>84</b>	<b>12</b>	<b>178</b>

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
<b>TOTAL</b>	<b>786</b>	<b>96</b>	<b>342</b>	<b>19</b>	<b>1,243</b>

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
<b>TOTAL</b>	<b>757</b>	<b>52</b>	<b>342</b>	<b>18</b>	<b>1,169</b>

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

Currency exchange gains/losses amount to 61 (137) for the Group, of which 39 (514) refer to exchange rate gains/losses on financial assets. Exchange rate gains/losses on liabilities and other assets amount to 22 (-377).



## Note 10 – Taxes

### INCOME TAX RECOGNIZED IN INCOME STATEMENT

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Current tax expense (-)/[revenue (+)]</b>				
Current tax expenses	-110	-279	-90	-234
Current tax adjustment attributable to previous years	17	20	0	0
<b>Deferred tax expense (-)/[revenue (+)]</b>				
Deferred taxes	-318	-239	-1	42
<b>TOTAL TAX EXPENSE (-)/REVENUE (+)</b>	<b>-411</b>	<b>-498</b>	<b>-91</b>	<b>-192</b>

### RECONCILIATION OF EFFECTIVE TAX

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

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Tax according to applicable tax rate for the Parent Company	-22 %	-22 %	-22 %	-22 %
Effects of foreign tax rates	-7.9 %	-2.6 %	-	-
Effects from change in tax rates	-	0.1 %	-	-
Tax effect from non-deductible expenses	-1.4 %	-4.6 %	-1.9 %	-2.2 %
Tax effect from non-taxable income	9.3 %	6.0 %	12.6 %	12.0 %
Current tax regarding previous years	0.4 %	-0.1 %	-	-
Recognition of tax loss carry-forwards related to previous years and timing differences	0.6 %	0.4 %	-	-
<b>REPORTED EFFECTIVE TAX</b>	<b>-21 %</b>	<b>-22.8 %</b>	<b>-11.3 %</b>	<b>-12.2 %</b>

### REPORTED DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

GROUP	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
	2015	2014	2015	2014	2015	2014
Personnel-related provisions	69	67	-	-	69	67
Timing difference on recognition of underwriting result	207	208	-	-	207	208
Other provisions	38	40	-62	-73	-24	-33
Surplus value of securities	-	-	-226	-270	-226	-270
Safety reserve and accelerated depreciation	-	-	-2,365	-2,307	-2,365	-2,307
Tax loss carry-forwards	1,953	2,190	-	-	1,953	2,190
<b>DEFERRED TAX BALANCES</b>	<b>2,267</b>	<b>2,505</b>	<b>-2,653</b>	<b>-2,650</b>	<b>-386</b>	<b>-145</b>
Netting of deferred assets/liabilities	-303	-362	303	362	-	-
<b>DEFERRED TAX BALANCES, NET</b>	<b>1,964</b>	<b>2,143</b>	<b>-2,350</b>	<b>-2,288</b>	<b>-386</b>	<b>-145</b>

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

PARENT COMPANY	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
	2015	2014	2015	2014	2015	2014
Personnel-related provisions	36	33	-	-	36	33
Other provisions	4	8	-	-	4	8
<b>DEFERRED TAX BALANCES</b>	<b>40</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>41</b>

**Note 10 – Cont.****UNRECOGNIZED DEFERRED TAX ASSETS**

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

**CHANGES IN DEFERRED TAX**

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Opening balance	-145	-16	41	-13
Recognized in income statement	-318	-239	-1	42
Recognized in other comprehensive income	32	12	-	12
Tax loss carry-forwards	45	98	-	-
<b>CLOSING BALANCE</b>	<b>-386</b>	<b>-145</b>	<b>40</b>	<b>41</b>

Taxes recognized in other comprehensive income partially refer to available-for-sale financial assets 5 (12).

**Note 11 – Intangible assets**

	GROUP				PARENT COMPANY		
	Intangible assets -IT Capitalized expenditure for development work	Acquired intangible assets - Goodwill	Other acquired intangible assets	TOTAL	Intangible assets -IT Capitalized expenditure for development work	Acquired intangible assets Goodwill	TOTAL
<i>Accumulated acquisition value</i>							
Opening balance 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 effects	-	-	20	20	-	-	-
<b>CLOSING BALANCE 2014</b>	<b>257</b>	<b>87</b>	<b>120</b>	<b>464</b>	<b>257</b>	<b>87</b>	<b>344</b>
Opening balance 2015	257	87	120	464	257	87	344
Acquisition for the year	22	-	-	22	22	-	22
Disposal for the year	-	-	-42	-42	-	-	-
Currency revaluation effect	-	-	10	10	-	-	-
<b>CLOSING BALANCE 2015</b>	<b>279</b>	<b>87</b>	<b>88</b>	<b>454</b>	<b>279</b>	<b>87</b>	<b>366</b>
<i>Accumulated amortization and impairment</i>							
Opening balance 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
<b>CLOSING BALANCE 2014</b>	<b>-177</b>	<b>-61</b>	<b>-2</b>	<b>-240</b>	<b>-177</b>	<b>-65</b>	<b>-242</b>
Opening balance 2015	-177	-61	-2	-240	-177	-65	-242
Depreciation for the year	-26	-	-	-26	-26	-5	-31
<b>CLOSING BALANCE 2015</b>	<b>-203</b>	<b>-61</b>	<b>-2</b>	<b>-266</b>	<b>-203</b>	<b>-70</b>	<b>-273</b>
<b>Carrying amount</b>							
Per January 1, 2014	63	291	102	456	63	170	233
<b>PER DECEMBER 31, 2014</b>	<b>80</b>	<b>26</b>	<b>118</b>	<b>224</b>	<b>80</b>	<b>22</b>	<b>102</b>
Per January 1, 2015	80	26	118	224	80	22	102
<b>PER DECEMBER 31, 2015</b>	<b>76</b>	<b>26</b>	<b>86</b>	<b>188</b>	<b>76</b>	<b>17</b>	<b>93</b>

## Note 11 – Cont.

	GROUP				PARENT COMPANY		
	Intangible assets – IT Capitalized expenditure for development work	Acquired intangible assets – Goodwill	Other acquired intangible assets	TOTAL	Intangible assets –IT Capitalized expenditure for development work	Acquired intangible assets Goodwill	TOTAL
<i>Amortization and impairment for the year is included in the following rows of the income statement for 2014:</i>							
Operating costs	-31	-	-	-31	-31	-	-31
Other costs	-	-	-2	-2	-	-29	-29
Investment expenses	-	-265	-	-265	-	-120	-120
<b>TOTAL</b>	<b>-31</b>	<b>-265</b>	<b>-2</b>	<b>-298</b>	<b>-31</b>	<b>-149</b>	<b>-180</b>
<i>Amortization for the year is included in the following rows of the income statement for 2015:</i>							
Operating costs	-26	-	-	-26	-26	-	-26
Other costs	-	-	-	-	-	-5	-5
<b>TOTAL</b>	<b>-26</b>	<b>-</b>	<b>-</b>	<b>-26</b>	<b>-26</b>	<b>-5</b>	<b>-31</b>

The Group and Parent Company goodwill derive from the acquired operation in Belgium, which is an identifiable cash generating unit. The amounts refer both to acquisition- and asset deal goodwill and are annually tested for impairment. The projected future cash flows have been discounted to present value and are based on a conservative assessment of the unit's earnings, in the insurance operations, based on historical and future earning patterns. 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 2014 a review of used parameters was made which 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 value by an independent advisory firm and are deemed to have an indefinite useful life and are tested annually for impairment.

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

## Note 12 – Land and buildings

## GROUP AND PARENT COMPANY

<i>Accumulated acquisition cost</i>	
Opening balance 2014	31
Acquisitions	1
<b>CLOSING BALANCE 2014</b>	<b>32</b>
Opening balance 2015	32
Acquisitions	0
<b>CLOSING BALANCE 2015</b>	<b>32</b>
<i>Accumulated depreciation</i>	
Opening balance 2014	-18
Depreciation for the year	-2
<b>CLOSING BALANCE 2014</b>	<b>-20</b>
Opening balance 2015	-20
Depreciation for the year	-1
<b>CLOSING BALANCE 2015</b>	<b>-21</b>
Carrying amount	
Per January 1, 2014	13
<b>PER DECEMBER 31, 2014</b>	<b>12</b>
Per January 1, 2015	12
<b>PER DECEMBER 31, 2015</b>	<b>11</b>

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, %	
		2015	2014
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
SI Phoenix (Luxembourg) S.à r.l. <sup>1)</sup>	Luxembourg	100	100
Sirius International Corporate Member Ltd. <sup>2)</sup>	London, Great Britain	100	100
White Sands Holdings (Luxembourg) S.à r.l.	Luxembourg	100	100

	PARENT COMPANY	
	2015	2014
<i>Accumulated acquisition cost</i>		
Beginning of year	11,585	11,647
Capital contributions	–	1,161
Repayment of paid-up capital	–237	–1,223
<b>End of year</b>	<b>11,348</b>	<b>11,585</b>
<i>Accumulated impairments</i>		
Beginning of year	–1,317	–1,317
<b>End of year</b>	<b>–1,317</b>	<b>–1,317</b>
<b>CARRYING AMOUNT DECEMBER 31</b>	<b>10,031</b>	<b>10,268</b>

<sup>1)</sup> Previously WM Phoenix (Luxembourg) S.à r.l.

<sup>2)</sup> Previously White Mountains Re Sirius Capital Ltd.

## Note 13 – Cont.

## SUBSIDIARIES' SHAREHOLDERS' EQUITY

2015	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
<b>Name of subsidiary</b>					
Passage2Health Ltd.	-6	100	Share capital total £6,800 consisting of 6,800 shares with nom. value £1 per share	0	0
Sirius Rückversicherungs Service GmbH	38	100	Share capital total €51,129 consisting of 1 share with nom. value €51,129	0	5
Sirius Belgium Réassurances S.A.	12	100	Share capital total €1,245,681 consisting of 700,000 shares without nom. value	13	0
Sirius International Holdings (NL) B.V.	761	100	Share capital total €18,000 consisting of 180 shares with nom. value €100 per share	269	-198
S.I. Holdings (Luxembourg) S.à r.l.	4,639	100	Share capital total SEK 105,693,172 consisting of 105,693,172 shares with nom. value SEK1	3,527	909
Sirius International Managing Agency Ltd.	9	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	4	1
Sirius International Corporate Member Ltd. <sup>2)</sup>	28	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	-26
SI Phoenix (Luxembourg) S.à r.l. <sup>1)</sup>	8,003	100	Share capital total \$42,266,200 consisting of 1,690,648 shares with nom. value \$25 per share	6,158	386
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	15	0
<b>TOTAL</b>	<b>13,501</b>			<b>10,031</b>	<b>1,076</b>

<sup>1)</sup> Previously WM Phoenix (Luxembourg) S.à r.l.<sup>2)</sup> Previously White Mountains Re Sirius Capital Ltd.

2014	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
<b>Name of subsidiary</b>					
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 €51,129 consisting of 1 share with nom. value €51,129	0	7
Sirius Belgium Réassurances S.A.	12	100	Share capital total €1,245,681 consisting of 700,000 shares without nom. value	13	0
Sirius International Holdings (NL) B.V.	973	100	Share capital total €18,000 consisting of 180 shares with nom. value €100 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
<b>TOTAL</b>	<b>12,357</b>			<b>10,268</b>	<b>1,280</b>

## Note 14 – Shares and participations in associated companies

NAME OF ASSOCIATED COMPANIES	REGISTERED OFFICES	NUMBER OF SHARES	PARTICIPATING INTEREST, %	
			2015	2014
BE Reinsurance Ltd.	Hong Kong	125,000,000	25	25

<sup>1)</sup> Voting share and participating interest are equal.

**Note 14 – Cont.****CHANGE DURING THE YEAR**

	<b>GROUP</b>		<b>PARENT COMPANY</b>	
	2015	2014	2015	2014
Beginning of the year	122	-	122	-
Acquisition	-	122	-	122
Share of associated companies' result	-8	-	-	-
Translation difference on foreign associated companies	13	-	-	-
<b>CARRYING AMOUNT DECEMBER 31</b>	<b>127</b>	<b>122</b>	<b>122</b>	<b>122</b>

**Note 15 – Investments in shares and participations**

	<b>GROUP</b>		<b>PARENT COMPANY</b>	
	2015	2014	2015	2014
Fair value	5,387	5,186	126	494
Acquisition cost	4,543	4,441	199	522

For further information regarding financial instruments, see Note 19.

**Note 16 – Bonds and other interest-bearing securities**

<b>GROUP</b>	<b>FAIR VALUE</b>		<b>ACQUISITION COST</b>	
	2015	2014	2015	2014
Swedish government	0	1,203	0	1,184
Swedish mortgage institutions	480	486	457	464
Other Swedish issuers	0	0	0	0
Foreign governments	1,687	2,033	1,680	2,003
Other foreign issuers	16,261	14,213	15,884	13,484
<b>TOTAL</b>	<b>18,428</b>	<b>17,935</b>	<b>18,021</b>	<b>17,135</b>
<i>Of which listed</i>	<i>18,428</i>	<i>17,932</i>	<i>18,021</i>	<i>17,132</i>
<b>Difference compared to nominal value</b>				
Total excess amount	492	758	464	725
Total shortfall	736	214	639	207

<b>PARENT COMPANY</b>	<b>FAIR VALUE</b>		<b>ACQUISITION COST</b>	
	2015	2014	2015	2014
Swedish government	0	1,112	0	1,093
Swedish mortgage institutions	377	386	359	364
Other Swedish issuers	0	0	0	0
Foreign governments	421	783	413	739
Other foreign issuers	5,504	4,688	5,228	4,197
<b>TOTAL</b>	<b>6,302</b>	<b>6,969</b>	<b>6,000</b>	<b>6,393</b>
<i>Of which listed</i>	<i>6,302</i>	<i>6,966</i>	<i>6,000</i>	<i>6,390</i>
<b>Difference compared to nominal value</b>				
Total excess amount	375	425	345	278
Total shortfall	707	6	617	4

## Note 17 – Derivative financial instruments

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Currency derivatives, Sirius Bermuda Insurance Company Ltd.	-722	-494	-722	-494
Other derivatives, Endurance	-12	25	-12	25
<b>TOTAL</b>	<b>-734</b>	<b>-469</b>	<b>-734</b>	<b>-469</b>

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

Currency derivatives of nominal MUSD 600 against SEK mainly concern contracts with internal counterparties. The company has entered into three internal currency hedging agreements with Sirius Bermuda Insurance Company 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 5.03 SEK/USD and 11.73 SEK/USD). The remaining average term is 20 months.

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

## Note 18 – Other debtors

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Other debtors, group companies <sup>1)</sup>	-	-	869	159
Other debtors	260	221	47	65
<b>TOTAL<sup>2)</sup></b>	<b>260</b>	<b>221</b>	<b>916</b>	<b>224</b>

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

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

## Note 19 – Categories of financial assets and liabilities and their fair value

### FINANCIAL ASSETS

GROUP 2015	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
Interest-bearing securities and loans to group companies	310	-	-	310	310	310
Shares and participations	-	5,387	-	5,387	5,387	4,543
Derivative financial instruments <sup>1)</sup>	-	-	-	-	-	-
Bonds and other interest-bearing securities	-	9,657	8,771	18,428	18,428	18,326
Cash and bank balances	-	2,842	-	2,842	2,842	2,842
Accrued income	29	81	53	163	163	163
Other debtors	260	-	-	260	260	260
<b>TOTAL</b>	<b>599</b>	<b>17,967</b>	<b>8,824</b>	<b>27,390</b>	<b>27,390</b>	<b>26,444</b>

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
Interest-bearing securities and loans to group companies	213	-	-	213	213	213
Shares and participations	-	5,186	-	5,186	5,186	3,855
Derivative financial instruments <sup>1)</sup>	-	25	-	25	25	25
Bonds and other interest-bearing securities	-	8,844	9,091	17,935	17,935	17,296
Cash and bank balances	-	3,198	-	3,198	3,198	3,198
Accrued income	35	47	106	188	188	188
Other debtors	221	-	-	221	221	221
<b>TOTAL</b>	<b>469</b>	<b>17,300</b>	<b>9,197</b>	<b>26,966</b>	<b>26,966</b>	<b>24,996</b>

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

## Note 19 – Cont.

## FINANCIAL ASSETS

<b>PARENT COMPANY 2015</b>	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	–	126	–	126	126	199
Derivative financial instruments <sup>1)</sup>	–	–	–	–	–	–
Bonds and other interest-bearing securities	–	–	6,302	6,302	6,302	6,090
Cash and bank balances	–	1,104	–	1,104	1,104	1,104
Accrued income	28	–	68	96	96	96
Other debtors	40	–	–	40	40	40
<b>TOTAL</b>	<b>68</b>	<b>1,230</b>	<b>6,370</b>	<b>7,668</b>	<b>7,668</b>	<b>7,529</b>

<b>PARENT COMPANY 2014</b>	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	–	494	–	494	494	522
Derivative financial instruments <sup>1)</sup>	–	25	–	25	25	12
Bonds and other interest bearing securities	–	–	6,970	6,970	6,970	6,527
Cash and bank balances	–	1,525	–	1,525	1,525	1,525
Accrued income	35	–	90	125	125	125
Other debtors	41	–	–	41	41	41
<b>TOTAL</b>	<b>76</b>	<b>2,044</b>	<b>7,060</b>	<b>9,180</b>	<b>9,180</b>	<b>8,752</b>

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

## FINANCIAL LIABILITIES

<b>GROUP 2015</b>	Other financial liabilities	Carrying amount	Fair value	<b>GROUP 2014</b>	Other financial liabilities	Carrying amount	Fair value
Other liabilities	154	154	154	Other liabilities	205	205	205
Accrued expenses	72	72	72	Accrued expenses	58	58	58
Derivative financial instruments	734	734	734	Derivative financial instruments	494	494	494
<b>TOTAL</b>	<b>960</b>	<b>960</b>	<b>960</b>	<b>TOTAL</b>	<b>757</b>	<b>757</b>	<b>757</b>

<b>PARENT COMPANY 2015</b>	Other financial liabilities	Carrying amount	Fair value	<b>PARENT COMPANY 2014</b>	Other financial liabilities	Carrying amount	Fair value
Other liabilities	117	117	117	Other liabilities	164	164	164
Accrued expenses	66	66	66	Accrued expenses	54	54	54
Derivative financial instruments	734	734	734	Derivative financial instruments	494	494	494
<b>TOTAL</b>	<b>917</b>	<b>917</b>	<b>917</b>	<b>TOTAL</b>	<b>712</b>	<b>712</b>	<b>712</b>



**Note 19 – Cont.**

In the tables below, data is provided regarding the determination of fair value for financial assets and liabilities 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 an active market for identical assets or liabilities

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

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

<b>GROUP 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	4,824	12	551	5,387
Derivative financial instruments	-	-	-734	-734
Bonds and other interest-bearing securities	2,724	15,705	-	18,429
<b>TOTAL</b>	<b>7,548</b>	<b>15,717</b>	<b>-183</b>	<b>23,082</b>

<b>PARENT COMPANY 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	5	12	109	126
Derivative financial instruments	-	-	-734	-734
Bonds and other interest-bearing securities	1,568	4,734	-	6,302
<b>TOTAL</b>	<b>1,573</b>	<b>4,746</b>	<b>-625</b>	<b>5,694</b>

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

<b>GROUP 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	4,277	12	897	5,186
Derivative financial instruments	-	-	-469	-469
Bonds and other interest-bearing securities	3,852	14,080	3	17,935
<b>TOTAL</b>	<b>8,129</b>	<b>14,092</b>	<b>431</b>	<b>22,652</b>

<b>PARENT COMPANY 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Shares and participations	384	12	98	494
Derivative financial instruments	-	-	-469	-469
Bonds and other interest-bearing securities	2,761	4,206	3	6,970
<b>TOTAL</b>	<b>3,145</b>	<b>4,218</b>	<b>-368</b>	<b>6,995</b>

Specific valuation techniques applied in valuing financial assets and liabilities 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 assets or liabilities not covered by the above techniques.

All fair values determined with the aid of these valuation techniques are to be found in Level 2 and 3. 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 19 – Cont.**

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

<b>GROUP 2015</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
<i>Level 2</i>				
Opening balance 2015	12	–	14,080	14,092
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	–	–	–48	–48
Acquisition cost, purchase	–	–	13,851	13,851
Proceeds of sale, sales	–	–	–13,200	–13,200
Transfer from Level 2	–	–	–	–
Transfer into Level 2	–	–	342	342
Currency revaluation effect	–	–	680	680
<b>CLOSING BALANCE 2015</b>	<b>12</b>	<b>–</b>	<b>15,705</b>	<b>15,717</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2015 <sup>1)</sup>	–	–	–48	–48

<b>PARENT COMPANY 2015</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
<i>Level 2</i>				
Opening balance 2015	12	–	4,206	4,218
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	–	–	40	40
Acquisition cost, purchase	–	–	6,908	6,908
Proceeds of sale, sales	–	–	–6,571	–6,571
Transfer from Level 2	–	–	–	–
Transfer into Level 2	–	–	151	151
<b>CLOSING BALANCE 2015</b>	<b>12</b>	<b>–</b>	<b>4,734</b>	<b>4,746</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2015 <sup>1)</sup>	–	–	40	40

<b>GROUP 2015</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
<i>Level 3</i>				
Opening balance 2015	897	–469	3	431
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	25	–265	–	–240
Acquisition cost, purchase	108	–	152	260
Proceeds of sale, sales	–542	–	–	–542
Transfer from Level 3	–	–	–155	–155
Transfer into Level 3	–	–	–	–
Currency revaluation effect	63	–	–	63
<b>CLOSING BALANCE 2015</b>	<b>551</b>	<b>–734</b>	<b>–</b>	<b>–183</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2015 <sup>1)</sup>	25	–265	–	–240

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

## Note 19 – Cont.

<b>PARENT COMPANY 2015</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
<i>Level 3</i>				
Opening balance 2015	98	-469	3	-368
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	33	-265	-	-232
Acquisition cost, purchase	25	-	146	171
Proceeds of sale, sales	-47	-	-	-47
Transfer from Level 3	-	-	-149	-149
Transfer into Level 3	-	-	-	-
<b>CLOSING BALANCE 2015</b>	<b>109</b>	<b>-734</b>	<b>-</b>	<b>-625</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2015 <sup>1)</sup>	33	-265	-	-232

<b>GROUP 2014</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
<i>Level 2</i>				
Opening balance 2014	9	-	12,152	12,161
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	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
<b>CLOSING BALANCE 2014</b>	<b>12</b>	<b>-</b>	<b>14,080</b>	<b>14,092</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 <sup>1)</sup>	3	-	847	850

<b>PARENT COMPANY 2014</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
<i>Level 2</i>				
Opening balance 2014	9	-	3,420	3,429
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	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
<b>CLOSING BALANCE 2014</b>	<b>12</b>	<b>-</b>	<b>4,206</b>	<b>4,218</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 <sup>1)</sup>	3	-	666	669

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

## Note 19 – Cont.

<b>GROUP 2014</b>	<b>Shares and participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>TOTAL</b>
<i>Level 3</i>				
Opening balance 2014	851	273	63	1187
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	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
<b>CLOSING BALANCE 2014</b>	<b>897</b>	<b>-469</b>	<b>3</b>	<b>431</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 <sup>1)</sup>	111	-690	2	-577
<b>PARENT COMPANY 2014</b>				
<i>Level 3</i>				
Opening balance 2014	76	273	0	349
Total reported profit/loss: – reported in profit/loss for the year <sup>1)</sup>	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
<b>CLOSING BALANCE 2014</b>	<b>98</b>	<b>-469</b>	<b>3</b>	<b>-368</b>
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2014 <sup>1)</sup>	8	-690	2	-680

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

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



## Note 20 – Tangible assets

	Group Equipment	Parent Company Equipment
<i>Accumulated acquisition cost</i>		
Opening balance 2014	188	121
Acquisition	22	21
Disposals	-22	-6
Currency revaluation effect	11	-
<b>CLOSING BALANCE 2014</b>	<b>199</b>	<b>136</b>
Opening balance 2015	199	136
Acquisition	63	59
Disposals	-10	-9
Currency revaluation effect	5	-
<b>CLOSING BALANCE 2015</b>	<b>257</b>	<b>186</b>
<i>Accumulated depreciation</i>		
Opening balance 2014	-131	-81
Depreciation for the year	-26	-22
Disposals	21	4
Currency revaluation effect	-8	-
<b>CLOSING BALANCE 2014</b>	<b>-144</b>	<b>-99</b>
Opening balance 2015	-144	-99
Depreciation for the year	-21	-18
Disposals	9	8
Currency revaluation effect	-3	-
<b>CLOSING BALANCE 2015</b>	<b>-159</b>	<b>-109</b>
<b>Carrying amount</b>		
Per January 1, 2014	57	40
<b>PER DECEMBER 31, 2014</b>	<b>55</b>	<b>37</b>
Per January 1, 2015	55	37
<b>PER DECEMBER 31, 2015</b>	<b>98</b>	<b>77</b>

## Note 21 – Deferred acquisition costs

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Opening balance	544	446	279	244
Acquired portfolio	0	0	-	-
Capitalization for the year	570	449	301	225
Depreciation/amortization for the year	-518	-439	-271	-234
Currency revaluation effect	32	88	13	44
<b>CLOSING BALANCE</b>	<b>628</b>	<b>544</b>	<b>322</b>	<b>279</b>

## Note 22 – Untaxed reserves

PARENT COMPANY	2015	2014
<i>Accumulated depreciation in excess of plan</i>		
Opening balance	12	15
Change for the year – goodwill	–4	–4
Change for the year – tangible assets	21	1
<b>CLOSING BALANCE</b>	<b>29</b>	<b>12</b>
<i>Appropriation to safety reserve</i>		
Opening balance	10,447	10,447
Change for the year	243	–
<b>CLOSING BALANCE</b>	<b>10,690</b>	<b>10,447</b>
<b>TOTAL</b>	<b>10,719</b>	<b>10,459</b>

## Note 23 – Provisions for unearned premiums and unexpired risks

### PROVISIONS FOR UNEARNED PREMIUMS

GROUP	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	2,554	–536	2,018	2,133	–446	1,687
Acquired portfolio	0	0	0	0	0	0
Change in provision	86	–101	–15	–27	6	–21
Currency revaluation effect	155	–37	118	448	–96	352
<b>CLOSING BALANCE</b>	<b>2,795</b>	<b>–674</b>	<b>2,121</b>	<b>2,554</b>	<b>–536</b>	<b>2,018</b>

### PROVISIONS FOR UNEXPIRED RISKS

GROUP	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	81	–59	22	76	–56	20
Change in provision	–4	3	–1	–10	8	–2
Currency revaluation effect	7	–6	1	15	–11	4
<b>CLOSING BALANCE</b>	<b>84</b>	<b>–62</b>	<b>22</b>	<b>81</b>	<b>–59</b>	<b>22</b>

### PROVISIONS FOR UNEARNED PREMIUMS

PARENT COMPANY	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	1,610	–523	1,087	1,412	–445	967
Change in provision	20	–79	–59	–97	22	–75
Currency revaluation effect	88	–38	50	295	–100	195
<b>CLOSING BALANCE</b>	<b>1,718</b>	<b>–640</b>	<b>1,078</b>	<b>1,610</b>	<b>–523</b>	<b>1,087</b>

### PROVISIONS FOR UNEXPIRED RISKS

PARENT COMPANY	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	81	–59	22	76	–56	20
Change in provision	–4	3	–1	–10	8	–2
Currency revaluation effect	7	–6	1	15	–11	4
<b>CLOSING BALANCE</b>	<b>84</b>	<b>–62</b>	<b>22</b>	<b>81</b>	<b>–59</b>	<b>22</b>

## Note 24 – Claims reserve

GROUP	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance, reported claims	7,795	-1,779	6,016	7,255	-1,532	5,723
Opening balance, incurred but not reported claims (IBNR)	5,568	-805	4,763	5,234	-707	4,527
<b>OPENING BALANCE</b>	<b>13,364</b>	<b>-2,584</b>	<b>10,779</b>	<b>12,489</b>	<b>-2,239</b>	<b>10,250</b>
Acquired portfolio	0	0	0	0	0	0
Cost for claims incurred - current year	3,122	-722	2,400	2,720	-707	2,013
Cost for claims incurred - prior year	1,444	-255	1,189	758	-324	434
Claims handling expenses	238	0	238	186	0	186
Paid claims	5,344	-1,278	4,066	4,447	-995	3,452
Currency revaluation effect	787	-98	689	2,030	-309	1,720
<b>CLOSING BALANCE</b>	<b>13,136</b>	<b>-2,381</b>	<b>10,755</b>	<b>13,364</b>	<b>-2,584</b>	<b>10,779</b>
Closing balance, reported claims	7,251	-1,540	5,711	7,795	-1,779	6,016
Closing balance, incurred but not reported claims (IBNR)	5,885	-841	5,044	5,568	-805	4,763

PARENT COMPANY	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance, reported claims	4,413	-1,269	3,144	4,198	-1,107	3,091
Opening balance, incurred but not reported claims (IBNR)	1,476	-341	1,135	1,557	-296	1,261
<b>OPENING BALANCE</b>	<b>5,889</b>	<b>-1,610</b>	<b>4,279</b>	<b>5,755</b>	<b>-1,403</b>	<b>4,352</b>
Cost for claims incurred - current year	1,946	-550	1,396	1,898	-612	1,286
Cost for claims incurred - prior year	525	-187	338	311	-299	12
Claims handling expenses	137	0	137	149	0	149
Paid claims	2,829	-985	1,844	2,657	-869	1,788
Currency revaluation effect	180	-29	151	730	-165	565
<b>CLOSING BALANCE</b>	<b>5,574</b>	<b>-1,391</b>	<b>4,183</b>	<b>5,889</b>	<b>-1,610</b>	<b>4,279</b>
Closing balance, reported claims	3,983	-1,046	2,937	4,413	-1,269	3,144
Closing balance, incurred but not reported claims (IBNR)	1,591	-345	1,246	1,476	-341	1,135

## Note 25 – Equalization provision

GROUP	2015	2014
	Opening balance	-
Provision of the year	-	-
<b>CLOSING BALANCE</b>	<b>-</b>	<b>-</b>
PARENT COMPANY	2015	2014
	Opening balance	89
Provision of the year	-	3
<b>CLOSING BALANCE</b>	<b>89</b>	<b>89</b>

## Note 26 – Claims handling provision

GROUP	2015		2014	
	2015	2014	2015	2014
Opening balance	260	241	150	132
Acquired portfolio	0	0	0	0
Release of provision made in prior years	-38	-57	-38	-22
Provision for the year	65	48	39	31
Currency revaluation effect	8	28	-1	9
<b>CLOSING BALANCE</b>	<b>295</b>	<b>260</b>	<b>150</b>	<b>150</b>



## Note 27 – Employee benefits

### DEFINED BENEFIT PLANS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Pension obligations covered by plan assets	121	110	–	–
Plan assets at fair value	94	96	–	–
<b>SURPLUS (-) DEFICIT (+)</b>	<b>-27</b>	<b>-14</b>	<b>–</b>	<b>–</b>
Pension obligations not covered by plan assets	27	14	16	14
<b>PROVISION FOR DEFINED BENEFIT PENSION PLANS, NET</b>	<b>27</b>	<b>14</b>	<b>16</b>	<b>14</b>

#### Group defined benefit plans

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

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

The group has defined benefit plans in Sweden (collective agreement) and Germany which are based on the employees' pension entitlements and length of employment. In Germany all employees are included in the plan. In Sweden only employees born 1971 or earlier are covered by defined benefit plans and, thus, form part of the FTP2. Paid pension premiums are mainly funded with Skandia Liv for employees in Sweden and with Allianz for employees in Germany. The lion share of the plan assets are funded with Skandia Liv where the assets are invested in Swedish bonds (35 %), Swedish and foreign shares (26 %), real-estate (10 %), non-listed shares (10 %) and other investment assets (19 %).

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

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

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

### PENSION COST RECOGNIZED IN THE INCOME STATEMENT

GROUP	2015	2014
Current service cost	9	10
Interest cost on pension obligation	2	4
Interest income on plan assets	-2	-6
<b>PENSION COST FOR DEFINED BENEFIT PLANS</b>	<b>9</b>	<b>8</b>
Paid premiums, defined contribution plans	68	71
<b>TOTAL PENSION COST <sup>1)</sup></b>	<b>77</b>	<b>79</b>

<sup>1)</sup> The pension cost for the year does not include special salary tax, which is disclosed in note 31 in the table "Remuneration to employees".

### CHANGES IN DEFINED BENEFIT OBLIGATIONS

GROUP	2015	2014
Opening balance pension obligation	110	85
Adjustments due to change in discount rates <sup>1)</sup>	15	–
Current service cost	9	10
Interest cost on pension obligation	3	3
Actuarial gains and losses recognized in OCI	-9	14
Release of obligation by payment	-4	-2
Tax	-2	-2
Currency revaluation effect	-1	2
<b>CLOSING BALANCE PENSION OBLIGATION</b>	<b>121</b>	<b>110</b>

<sup>1)</sup> An alignment of used discount rates for the German share of the obligation has been made during the year. The change implicates that the discount rate stipulated by German statutory regulations has been replaced with the discount rate stipulated by IAS 19 for the group accounts. The change is recorded in other comprehensive income.

## Note 27 – Cont.

## CHANGES IN PLAN ASSETS

GROUP	2015	2014
Opening balance plan assets at fair value	96	78
Interest income on plan assets	2	6
Contributions	8	6
Actuarial gains and losses recognized in OCI	1	6
Release of obligation by payment	-13	-1
Currency revaluation effect	0	1
<b>CLOSING BALANCE PLAN ASSETS AT FAIR VALUE</b>	<b>94</b>	<b>96</b>

The plan assets' fair value, as per December 31, 2015, is lower than the value of the Group's defined benefit pension commitments. The Group has per December 31, 2015 a net obligation of MSEK 27 (14). This is mainly 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	2015	2014
Opening balance actuarial gains/losses	7	0
Current year change in actuarial gains (-)/losses (+) on pension obligation	-22	14
Current year change in actuarial gains (-)/losses (+) on plan assets	4	-7
<b>CLOSING BALANCE ACTUARIAL GAINS/LOSSES</b>	<b>-11</b>	<b>7</b>

## ACTUARIAL ASSUMPTIONS

GROUP	2015	2014
Discount rate	2.6 %	2.3 %
Expected price inflation	1.5 %	1.3 %
Expected salary increases	2.7 %	2.8 %
Indexation of benefits	1.6 %	1.3 %
Indexation of income base amount	2.7 %	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 the discount rate stipulated by IAS 19, taking into account both the underlying currency and the duration of the pension obligation, which is normally equal to the interest rate for high quality corporate bonds. The expected duration of the pension obligations is 16 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 28 – Other creditors

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Amounts due to group companies <sup>1)</sup>	9	23	51	54
Other creditors	145	182	66	110
<b>TOTAL <sup>2)</sup></b>	<b>154</b>	<b>205</b>	<b>117</b>	<b>164</b>

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

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

## Note 29 – Contingent liabilities and commitments

### PLEGDED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Bonds and other interest-bearing securities	8,021	7,557	5,732	5,582
Cash and bank	430	1,425	353	1,166
<b>ASSETS FOR WHICH POLICY HOLDERS HAVE PREFERENTIAL RIGHTS</b>	<b>8,451</b>	<b>8,982</b>	<b>6,085</b>	<b>6,748</b>

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 5,731. In the case of insolvency, the insured has preferential rights to the registered assets. During the course of operations, the Company has the right to register and de-register assets from the register, provided that all insurance commitments are covered by technical provisions in accordance with the Insurance Business Act.

### CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<i>Nominal amount</i>				
Guarantees on behalf of subsidiary	3,626	3,350	3,626	3,350
Future commitments for investments in private equity companies	64	132	–	31
<b>TOTAL</b>	<b>3,690</b>	<b>3,482</b>	<b>3,626</b>	<b>3,381</b>

## Note 30 – Associated parties

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

<b>GROUP 2015</b>	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Liabilities
White Mountains Advisors LLC - financial services	-	-	-41	-	8
Sirius Bermuda Insurance Company Ltd - financial services	-	-	-149	7	-
Sirius Capital Markets Bermuda Ltd - administrative services	-	-	0	-	-
White Shoals Re Ltd. - administrative services	-	-	4	-	-
Sirius International Insurance Group Ltd. - administrative services	-	-	28	0	-
OneBeacon Insurance Group Ltd. - liability insurance and dividends	-	-	53	-	0
Other associated companies	-	-	11	1	9
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-92</b>	<b>8</b>	<b>17</b>

<b>PARENT COMPANY 2015</b>	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Liabilities
Sirius America Insurance Company - assumed reinsurance	177	-52	-	423	-
Sirius America Insurance Company - ceded reinsurance	0	23	-	-	-
Star Re Ltd. - ceded reinsurance	-118	-	-	-	-
Syndicate 1945 - assumed reinsurance	16	1	-	6	-
Syndicate 1945 - ceded reinsurance	-18	11	-	-	-6
Sirius America Insurance Company - administrative services	-	-	31	9	-
SI Phoenix (Luxembourg) S.à r.l. <sup>1)</sup>	-	-	17	-	-
Sirius International Holding (NL) B.V. - dividends	-	-	50	-	-
Sirius Rückversicherungs Service GmbH - intra-group payables	-	-	-30	-	51
Sirius Belgium Réassurances S.A - intra-group payables	-	-	0	-	1
Star Re Ltd. - financial services	-	-	1	-	-
S.I. Holdings (Luxembourg) S.à r.l. - dividends/receivables	-	-	381	622	-
Passage2Health Ltd. - intra-group receivables	-	-	0	6	-
Syndicate 1945 - intra group receivables	-	-	117	167	-
Sirius Global Services LLC - administrative services	-	-	-42	15	-
Sirius International Holdings Ltd - administrative services	-	-	-4	0	-
Sirius International Managing agency Ltd - administrative services	-	-	2	2	-
White Sands Holdings (Luxembourg) S.à r.l. - intra-group payables	-	-	-	0	2
Sirius International Corporate Member Ltd. <sup>2)</sup>	-	-	-	59	-
White Mountains Advisors LLC - financial services	-	-	-12	-	-
Sirius Bermuda Insurance Company Ltd - financial services	-	-	-149	6	-
Sirius Capital Markets Bermuda Ltd. - administrative services	-	-	0	-	-
White Shoals Re Ltd - administrative services	-	-	3	-	-
Other associated companies	-	-	7	0	0
<b>TOTAL</b>	<b>57</b>	<b>-17</b>	<b>372</b>	<b>1,315</b>	<b>48</b>

<sup>1)</sup> Previously WM Phoenix (Luxembourg) S.à r.l.

<sup>2)</sup> Previously White Mountains Re Sirius Capital Ltd.

## Note 30 – Cont.

<b>GROUP 2014</b>	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Liabilities
White Mountains Advisors LLC - financial services	-	-	-41	-	12
Sirius Bermuda Insurance Company Ltd. - financial services	-	-	75	-	9
Sirius Capital Markets Bermuda Ltd. - administrative services	-	-	9	3	-
White Shoals 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 companies	-	-	8	-	6
<b>TOTAL</b>	-	-	116	4	27

<b>PARENT COMPANY 2014</b>	Premium income, net	Indemnifications, net	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. - financial services	-	-	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 receivables	-	-	-	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 Shoals Re Ltd - administrative services	-	-	3	-	-
Other associated companies	-	-	5	-	0
<b>TOTAL</b>	34	39	853	556	57

## Note 31 – Average number of employees, salaries and other remunerations

### AVERAGE NUMBER OF EMPLOYEES

GROUP	2015			2014		
	Men	Women	TOTAL	Men	Women	TOTAL
Parent Company	154	146	300	148	145	293
Germany	4	9	13	3	10	13
USA	59	58	117	59	59	118
Canada	5	2	7	5	2	7
<b>TOTAL</b>	<b>222</b>	<b>215</b>	<b>437</b>	<b>215</b>	<b>216</b>	<b>431</b>

PARENT COMPANY	2015			2014		
	Men	Women	TOTAL	Men	Women	TOTAL
Sweden	75	70	145	75	72	147
UK	36	26	62	28	22	50
Belgium	25	23	48	24	23	47
Switzerland	4	5	9	4	5	9
Singapore	5	12	17	4	11	15
Denmark	-	-	-	5	2	7
Bermuda	9	10	19	8	10	18
<b>TOTAL</b>	<b>154</b>	<b>146</b>	<b>300</b>	<b>148</b>	<b>145</b>	<b>293</b>

### SENIOR MANAGEMENT

GROUP AND PARENT COMPANY	2015			2014		
	Men	Women	TOTAL	Men	Women	TOTAL
Board and CEO	5	1	6	5	1	6
Other senior members of management	1	-	1	1	-	1
<b>TOTAL</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>7</b>

### REMUNERATIONS TO EMPLOYEES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Salaries including bonuses	592	599	369	370
<i>Of which expenses bonus and other similar remunerations</i>	161	224	98	135
Pension expenses	74	79	60	68
– Defined contribution plans	68	71	58	64
– Defined benefit plans (Note 27)	8	8	2	4
Social security contributions, special employer's contributions on pensions	95	108	87	102
<b>TOTAL</b>	<b>761</b>	<b>787</b>	<b>516</b>	<b>539</b>

**Note 31 – Cont.****OF WHICH PAID REMUNERATIONS FOR THE YEAR TO:**

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>CEO</b>				
Salaries including bonuses	7	4	7	4
<i>Of which paid out bonuses</i>	4	2	4	2
Pension expenses	1	1	1	1
– Defined contribution plans	1	1	1	1
– Defined benefit plans	–	–	–	–
<b>TOTAL</b>	<b>8</b>	<b>5</b>	<b>8</b>	<b>5</b>
<b>FORMER CEO</b>				
Salaries including bonuses	28	17	28	17
<i>Of which paid out bonuses</i>	28	13	28	13
Pension expenses	–	3	–	3
– Defined contribution plans	–	3	–	3
– Defined benefit plans	–	–	–	–
<b>TOTAL</b>	<b>28</b>	<b>20</b>	<b>28</b>	<b>20</b>
<b>Board and other senior members of management</b>				
Salaries including bonuses	20	15	20	15
<i>Of which expenses bonus and other similar remunerations</i>	14	9	14	9
Pension expenses	3	3	3	3
– Defined contribution plans	3	3	3	3
– Defined benefit plans	–	–	–	–
<b>TOTAL</b>	<b>23</b>	<b>18</b>	<b>23</b>	<b>18</b>

**Salaries and remuneration**

The Board receives remunerations in accordance with the resolutions of the Annual General Meeting. Board fees are not paid to individuals employed in the company. No board fees were paid in 2014 and 2015.

**Remuneration policy**

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

**Note 32 – Fees and reimbursements to auditors**

PwC	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Audit assignment	14	12	5	4
Tax counseling	0	2	0	0
Other services	1	1	1	1
<b>TOTAL</b>	<b>15</b>	<b>15</b>	<b>6</b>	<b>5</b>

Audit assignment refers to the examination of the annual report and accounting records, as well as the administration of the Board of Directors and Managing Director, other duties which are the responsibility of the Company's auditors to execute and the provision of advisory services or other assistance resulting

from observations made during such an examination or the implementation of such other duties. Other services than those included in the audit agreement are classified as audit services in addition to audit agreement, tax counseling and other services.

**Note 33 – Operational leasing****NON-CANCELLABLE LEASES**

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Due for payment within one year	50	50	30	31
Due for payment later than one year but within five years	183	163	116	99
Due for payment after five years	80	40	49	–
<b>TOTAL</b>	<b>313</b>	<b>253</b>	<b>195</b>	<b>130</b>

## Note 34 – Class analysis

### PROFIT/LOSS PER INSURANCE CLASS

<b>GROUP 2015</b>	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	2,218	54	140	221	2,633	7,056	9,689
Premium earned, gross	2,117	74	149	182	2,522	7,085	9,607
Incurred claims, gross	-1,152	-41	-72	-168	-1,433	-3,133	-4,566
Operating expenses, gross	-770	-19	-76	-73	-938	-2,176	-3,114
Result, ceded reinsurance	-168	-3	-22	-13	-206	-729	-935
<b>TECHNICAL RESULT</b>	<b>27</b>	<b>11</b>	<b>-21</b>	<b>-72</b>	<b>-55</b>	<b>1,047</b>	<b>992</b>

<b>PARENT COMPANY 2015</b>	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	1,142	54	30	20	1,246	4,655	5,901
Premium earned, gross	1,043	74	34	42	1,193	4,692	5,885
Incurred claims, gross	-398	-41	-24	-19	-482	-1,989	-2,471
Operating expenses, gross	-484	-19	-29	-17	-549	-1,259	-1,808
Result, ceded reinsurance	-93	-4	-9	-9	-115	-819	-934
Equalization provision	-	-	-	-	-	-	-
<b>TECHNICAL RESULT</b>	<b>68</b>	<b>10</b>	<b>-28</b>	<b>-3</b>	<b>47</b>	<b>625</b>	<b>672</b>

<b>GROUP 2014</b>	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	TOTAL
Premium income, gross	1,257	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
<b>TECHNICAL RESULT</b>	<b>21</b>	<b>-49</b>	<b>-26</b>	<b>21</b>	<b>-33</b>	<b>1,321</b>	<b>1,288</b>

<b>PARENT COMPANY 2014</b>	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
<b>TECHNICAL RESULT</b>	<b>31</b>	<b>-44</b>	<b>-17</b>	<b>2</b>	<b>-28</b>	<b>877</b>	<b>849</b>



STOCKHOLM, MARCH 15, 2016

ALLAN WATERS  
*Chairman of the Board of Directors*

BRIAN KENSIL

JEFFREY DAVIS

JANONSELIUS

LARS EK

MONICA CRAMÉR MANHEM  
*President & CEO*

Our Auditors' Report was submitted on March 15, 2016

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 2015.

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

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

**Auditor's responsibility**

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

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

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

**Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 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 2015 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 2015.

**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 15, 2016

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. Other operating costs are excluded when calculating combined ratio as they stem from non-insurance operations.

## 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 2015. 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 THE PRESIDENT & 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.

ON JULY 1, 2011 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.

ON APRIL 18, 2016 Sirius International Insurance Group, Ltd. was bought by CM International Holding Pte. Ltd.

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.

During the ownership of White Mountains, Sirius has had an average combined ratio of 85 % and close to \$1 billion in underwriting profits. This long-term track record is perhaps unparalleled.





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