Annual report 2017

CONTENTS

Sirius International

CMIG, our owner

CMIG International Holding Pte. Ltd.
("CMIG International") – CMIG International completed the acquisition of Sirius International Insurance Group, Ltd ("Sirius Group") through its Bermuda holding company, CM Bermuda Limited, on April 18, 2016. CMIG International is a subsidiary of CMIG* with a core focus on global investments. Registered in December 2014 in Singapore, CMIG International's registered capital is in excess of USD 2.2 billion.

With strong insurance capital support and support from M&A insurance funds, CMIG International focuses on becoming a major global insurance investment group via the form of mergers and organic growth of insurance companies. Through Sirius Group, CMIG International plans to grow its business portfolio consisting of reinsurance, specialty insurance, property insurance, life insurance and internet insurance.

CMIG International is committed to support Sirius' expansion into the Asian market and strengthening its financial assets.

* China Minsheng Investment Group (CMIG) – a leading international private investment group founded in Shanghai on 21 August 2014 by 59 renowned private enterprises.

SIRIUS INTERNATIONAL INSURANCE GROUP, LTD.
("Sirius Group") – A Bermuda-domiciled holding company whose operating companies offer capacity for Property, Casualty, Accident & Health, Credit and Bond, Surety, Aerospace, Marine and other exposures.

The principal operating companies are:

SIRIUS BERMUDA INSURANCE COMPANY, LTD.
("Sirius Bermuda") –A Bermuda based reinsurer currently focused primarily on US and Latin America treaty business.

Sirius Bermuda is a leading reinsurer for Property, Casualty and Accident & Health business.

Sirius Bermuda also writes US treaty business through an advisory agreement with Sirius America Re Managers.

SIRIUS INTERNATIONAL INSURANCE CORPORATION (PUBL)
("Sirius International") – An international (re)insurer based in Sweden primarily focused on property and other short-tail lines of business. Sirius International is the largest reinsurance company in Scandinavia and a leading reinsurer in the European markets. Sirius International's head office is located in Stockholm with offices in Bermuda, Hamburg, Liège, London, Shanghai, Singapore and Zürich. Sirius International is 100% owned by Sirius Bermuda.

SIRIUS AMERICA INSURANCE COMPANY
("Sirius America") – A U.S.-based international (re)insurance company focused on Accident & Health, Casualty, Property and Surety lines in North and Latin America. Sirius America's head office is located in New York with branch offices in Miami and Toronto. Sirius America is a 100% owned subsidiary of Sirius International.

SIRIUS INTERNATIONAL MANAGING AGENCY LTD.
The Lloyd's Managing Agency, established in 2011, is responsible for Syndicate 1945 and 100% owned by Sirius International. The Syndicate focuses primarily on Accident & Health, Casualty, Contingency and Property.

SIRIUS GLOBAL SOLUTIONS, INC.
Established to serve clients seeking to reduce exposure to historical liabilities and/or exit a line of business.

Sirius Annual Report for 2017

We can now turn the page on what became a particularly challenging year for the reinsurance industry. Global insured catastrophe losses were amongst the highest recorded in a single year when market rates were at historically low levels. Sirius International inevitably felt the impact of this exceptionally difficult trading environment, recording disappointing results. Look beyond the headline figures, though, and it was also a year of considerable positive progress for the group as we developed new and exciting openings for the future.

The third quarter of 2017 brought an unprecedented string of natural catastrophes in North and Central America: Hurricanes Harvey, Irma and Maria, two earthquakes in Mexico and wildfires in California in October and again in December. At the time of writing the estimated total economic damage from these events is a record $344 billion, with the insurance and reinsurance industry facing losses in the region of $140 billion.

The frequency and severity of these catastrophe losses are reflected in the results for 2017, mitigated to a significant degree by the fact that our risks are well diversified by both class and geography, with the rest of the portfolio performing profitably. The final outcome of the year was a combined ratio of 110%.

This unusually high figure by our standards should be seen in the context of the volatility of our industry where yearly fluctuations of fortune are an unavoidable fact of life; indeed, they are why companies need reinsurance in the first place. It is worth noting that the latest five-year average combined ratio for Sirius International stands at an altogether healthy 90%, which demonstrates our ability to ride the peaks and troughs of our industry in a sustainable and resilient manner.

We have also been taking steps to develop and further diversify the business. I am especially excited by the progress we have made in China – now our fifth biggest market, where we have been assisted by the profile of our Chinese owners CMIG. Our Shanghai representative office opened in November after receiving regulatory approval. We have also launched our Lloyd's China Platform.

One of several initiatives in the pipeline will enable us to grow in the Chinese Accident and Health market through IMG – a long-term partner of ours in the travel arena that we acquired during 2017. We plan to distribute A&H products in China together with local carriers, with the first of these schemes due to come to fruition in the first half of 2018. This strategy builds on Sirius' specialist expertise and contacts in this class of business. With this as a starting point there will be other opportunities in China as well as other countries in Asia. Another acquisition during the year – the US-based MGU Armada, known for its innovative approach to health care – will further enhanced our ability to offer A&H solutions across the Sirius Group.

Our London operations saw some important changes during the year. We took on board a small casualty team to broaden our offering to clients. We also decided, with great regret, to close the Marine account in London, where we wrote XL, direct yacht and direct cargo. Market conditions in these lines had been highly adverse for some time, and were showing little sign of improvement.

Looking ahead, the 2017–18 renewal season finally ended five years of falling rates, which had put huge pressure on the industry's margins. Some areas most affected by the losses during 2017 saw double digit increases, whilst the rest were mostly flat. Although we did not experience the rises that the fundamentals arguably demanded, we nonetheless went into 2018 in good heart.

" ...the latest five-year average combined ratio for Sirius International stands at an altogether healthy 90%, which demonstrates our ability to ride the peaks and troughs of our industry..."

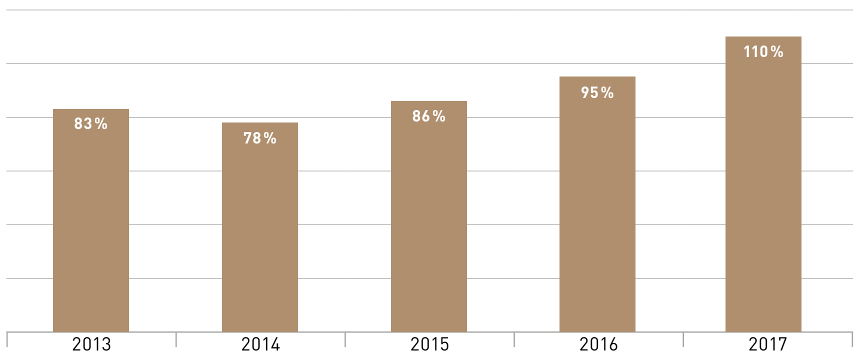
We retain our strong market position. Our proven client-focused approach and willingness to turn away unprofitable business remain undiluted. Our stable and experienced underwriting teams, long-term commercial relationships, strong risk controls, a rigorous regulatory environment to protect clients wherever we trade and highly supportive owners continue to underpin the business.

I would like to finish as always by thanking our staff, clients and brokers. The teams have performed with their usual enthusiasm, professionalism and loyalty throughout what has sometimes been a tough year. As for our clients and brokers, they are the reason why Sirius exists. Our strong relationships benefit all parties. We look forward to being of continued service.

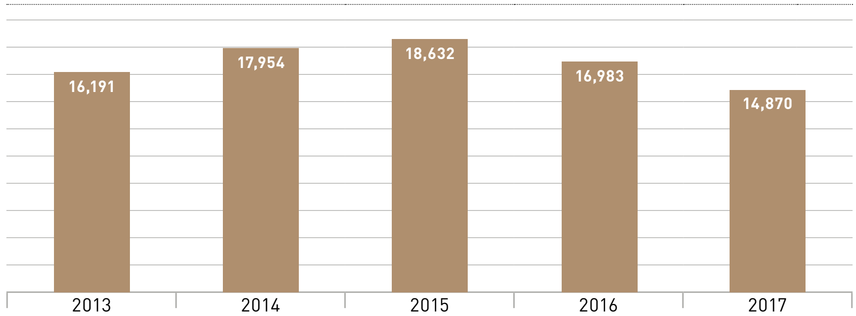
Monica Cramér Manhem
President & CEO

AT A GLANCE	2017	2016
Net premium income	$705 million	$835 million
Underwriting result	–$74 million	$41 million
Combined ratio	110 %	95 %
Result before taxes	–$48 million	$41 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 2017.

General information regarding the company

Sirius International operates within international insurance and reinsurance. Sirius International was established in 1989. However, 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 of the Group since 1992.

Development of the Company's operations, income and financial position

Globally, the number of major catastrophes arising from natural disasters increased in 2017 to one of the highest levels ever expressed in economic losses on both a nominal and inflation-adjusted basis. These disasters have caused significant humanitarian losses. Insurance costs for natural disasters during the year are also among the highest ever and are comparable with record years in 2005 and 2011. The major events for the industry include hurricanes Harvey and Irma in the United States, hurricane Maria in the Caribbean, extensive wildfire outbreaks in the state of California USA, along with major claims from both droughts and floods in Europe and Asia. Sirius International's insurance portfolio has also been affected by the above events, but the extent varies depending on geographical exposure and market shares. In addition, a number of major non-catastrophe claims occurred during the year. The major claims events for Sirius International, for the Parent company as well as for the Group, are summarized below.

The largest insurance losses for Sirius International during 2017 eminate from hurricanes Harvey, Irma and Maria, the outbreak of wildfires in northern California and two earthquakes in Mexico. These events are estimated to have resulted in claims of approximately MSEK 880 for own account. For the Sirius International Group, additional claims have arisen from Lloyd's syndicate 1945 (The Syndicate) and Sirius America Insurance Company (Sirius America). These claims derive primarily from hurricanes Harvey, Irma, Maria and the wildfires in the state of California. For the Group these events combined are estimated to have resulted in claims of approximately MSEK 1,245 for own account.

Overall, claims reserves from previous accident years have been stable during the year and resulted in a small negative run-off result for the 2017 financial year for the Group. For the Parent company the claims reserves from previous accident years had a very favorable development during the year and resulted in a positive run-off result for the 2017 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 2018, has noted both increased volume and risk adjusted price increases. It is the first time in five years that price increases have been seen across most insurance classes. For the overall portfolio, the pricing and renewal volume for 2018 is deemed to be satisfactory and in line with expectations.

During 2017, the business operations for the Syndicate have not achieved plan and results have not reached the profitability targets set, mainly due to larger claims outcome compared to plan. The profitability in the marine portfolio written in the Syndicate has not been satisfactory and the viability of the portfolio in the long run has been evaluated. Despite significant losses in the marine market as a consequence of the large cathastrophes, pricing has not improved as needed and Sirius took the decision to cease underwriting marine excess of loss, marine cargo and yacht business in London.

The US operations, primarily conducted in Sirius America reported satisfactory growth in volume. However, due to the large catastrophes mentioned above and some run-off losses from previous years, the results were below expectations.

Gross premium income amounted to MSEK 11,053 (10,806) for the Group and MSEK 8,357 (6,795) for the Parent Company. The Group's premium income for own account amounted to MSEK 6,022 (7,146), and MSEK 4,524 (3,927) for the Parent Company. For the Group the premium volume was 2% higher than the previous year, and 23% higher for the Parent Company. The increases in gross premium volume are noted mainly in the lines assumed property reinsurance, while other insurance lines only show a smaller variation compared to the previous year. For the Group a significant increase is noted within the line direct insurance from other countries partly offset by lower gross premium income from assumed property reinsurance compared to previous years. The strengthened SEK, primarily against USD has provided a non-favorable effect on premium volume for the Group as well as the Parent company.

The Group's operating loss from insurance operations amounted to MSEK –784 (profit of MSEK 185) and to MSEK –16 (profit of MSEK 459) for the Parent Company. The combined ratio was 110% (95%) for the Group and 100% (85%) for the Parent Company. The deterioration in insurance operating result is due to the above mentioned increased castastrophe claims.

2017 has been a year with continuing political turbulence. The new president in the United States, the election in Germany, the continuing conflict in Syria and the terror attacks in Europe have all contributed to the political turmoil. This political turmoil, has however, not been fully reflected in the financial markets to the extent expected.

In view of the political turmoil it is surprising to see the strong development of the world economy. On a global basis, GDP grew 3.7% during 2017. Generally, the world's leading stock markets had a positive development where FTSE 100 index increased by 7.6%, Dow Jones increased by 25.1% and DAX increased by 12.5%. OMX 30 in Sweden increased by 3.9%.

In Sweden, the Riksbank continued its expansive monetary policy, with negative repo rates, however purchases of government bonds ceased in June. During the year, the inflation rose to 2%, the GDP growth rate was 2.7%, while the unemployment rate remained around 6.5%. The Swedish economy has continued to develop strongly and demand remains strong in many of its most important export markets.

The Swedish krona had a volatile year with large fluctuations to the most important currencies. On an annual basis, SEK has strengthened in relation to USD and GBP. During 2017, USD and GBP have weakened by 9.4% and 1.1% respectively against SEK. EUR has strengthened against SEK by 3% 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 rate levels on three year tenor have increased 10 basis points whereas the interest rate in the five year tenor has been more or less unchanged. In the US, the interest rates have continued to increase. The three year tenor increased 52 basis points whereas the interest rate in the five year tenor increased 28 basis points. The UK interest rates increased 37 basis points for the three year tenor and the interest rate in the five-year tenor increased 28 basis points. 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 11.7%, adjusted for exchange rate effects. The realized and unrealized currency exchange rate result, including currency hedging and translation differences from foreign subsidiaries amounted to a loss of MSEK 863. Exchange rate hedging against the USD has been undertaken to the same extent as previous year and the total nominal hedged amount remains at MUSD 600. Per year end the portion of the solvency capital that is exposed to foreign currency, 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 616 (317). The Group's direct yield was 2.8% (1.7%) and the total yield was 2.9% (–0.8%). The direct and total yields are calculated according to the recommendations of The Swedish Financial Supervisory Authority. The investment portfolio's concentration and composition have changed a bit compared to previous years with a larger part of shares. At year-end, the consolidated investment portfolio, excluding currency related derivatives, had the following composition: Bonds and other interest bearing securities 67.6%, Shares and participations 17.6%, Bank funds 14.8%.

As a part of the ongoing restructuring within the Group, a number of subsidiaries in Luxembourg have been liquidated during the first quarter. As a result, Sirius International became the Parent company of the former sub- subsidiary Sirius Re Holdings Inc.

During the second quarter Sirius Re Holdings Inc Group acquired Armada Corp Capital, LLC, a market-leading provider of supplementary health insurance and administration services in USA.

During the third quarter the China Insurance Regulatory Commission approved the company's application for establishment of a representative office in Shanghai; Sweden Sirius International Insurance Corporation Shanghai Representative Office.

In the fourth quarter Sirius International Holdings (NL) BV sold the holdings in Star Re Ltd to the group company Sirius Bermuda Insurance Company (SBDA). After the sale, the value of Sirius International (NL) BV has been impaired by MSEK 139.

The parent company, Sirius International Försäkringsaktiebolag (publ), is subject to Solvency 2 reporting to the Swedish Financial Supervisory Authority. The Sirius International group is not subject to Solvency 2 group reporting. Instead, this is currently done for the Sirius International UK Holdings Ltd-group based in the United Kingdom, the ultimate parent company in EU. Furthermore, the Bermuda Monetary Authority (BMA) has assumed the role as group supervisor for SBDA-group, Bermuda. Discussions are ongoing between the two supervisory authorities to ensure that appropriate group supervision at appropriate level of the group are in line with the new EU regulation and also takes into account the Solvency 2 equivalency rules at Bermuda.

The own funds items for each entity within the group does primarily consist of basic own funds items which has been deemed to be fully eligible to meet the SCR requirement for each company within the group. In the Sirius International UK Holdings Ltd-group the safety reserve from one entity within the group cannot be made fully available for other group companies (13 kap.6–7 §§ Swedish Financial Supervisory Authority's regulations and general guidelines on Insurance Business (FFFS 2015:8)). This leads to a quantitative limitation of the transferability and eligibility of the safety reserve for Sirius International UK Holdings Ltd-group.

For the parent company the ratio of total eligible own funds to the solvency capital requirement is 2,04, and the ratio of total eligible own funds to the minimum capital requirement is 8,09. After deduction of non-available own funds items within the Sirius International UK Holdings Ltd-group, the ratio of total eligible own funds to the solvency capital requirement is 1,11. For SBDA group, the ratio of total eligible own funds to the solvency capital requirement is 2,98, according to calculations made under the equivalence rules for Bermuda.

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 CM International Holdings PTE Ltd., Singapore and in turn owned by China Minsheng Investment Corp.,Ltd.,China.

At the end of the year 2017, 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; Sirius International Corporate member Ltd., London, United Kingdom; Sirius International Managing Agency Ltd., London, United Kingdom; Sirius Re Holdings Inc., Delaware, USA; SI Cumberland (Gibraltar) Limited, Gibraltar; White Sands Holdings (Luxembourg) S.à r.l., Luxemburg and S.I. Holdings (Luxembourg) S.à r.l., Luxemburg.

In addition, Sirius International has eight branch offices and one representative office outside Sweden. These are Sirius International Insurance Corporation (publ) UK branch, London, United Kingdom; Sirius International Insurance Corporation (publ) Stockholm Zurich branch, Zurich, 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; Sirius International Insurance Corporation (publ) Australian Branch, Australia and Sweden Sirius International Insurance Corporation Shanghai Representative Office, Shanghai, China. 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

During the first quarter of 2018 the SIIG group started with an internal restructuring in order to coordinate the groups underwriting operations into one unit and the groups agency and advisory operations in another unit. As a consequence, Sirius divested Armada into the unit that will coordinate the agency and advisory operations.

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 one contract in which insufficient insurance risk is assessed to exist, and which, thereby, does not qualify as an insurance contract. This contract is classified as an investment contract. 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 2018 are to achieve a combined ratio of 95% and a Return on adjusted equity of 8%.

Sustainability report

A sustainability report has been made and the information is available on Sirius Internationals webpage. www.siriusgroup.com

Five-year summary

GROUP (MSEK)	**2017**	**2016**	**2015**	**2014**	**2013**
Net premium income	6,022	7,146	7,090	5,930	5,729
Net premiums earned	6,062	7,165	7,106	5,952	5,675
Allocated investment return	196	192	143	313	101
Net claims incurred	−4,631	−4,244	−3,589	−2,445	−2,748
Operating costs	−2,060	−2,566	−2,525	−2,218	−1,977
Other operating costs	−351	−362	−45	−53	−43
Insurance operating result	−784	185	1,090	1,549	1,008
Investment operating result	376	169	863	637	1,352
Net income for the year	−694	421	1,541	1,688	1,956
Net technical provisions	12,721	13,786	13,193	13,081	12,198
Market value on investment assets [1]	19,471	26,411	27,769	26,824	23,906
Insurance operating profit, for own account					
Claims ratio	76 %	59 %	51 %	41 %	48%
Cost ratio	34 %	36 %	36 %	37 %	35%
Combined ratio	110 %	95 %	86 %	78 %	83%
Investment result					
Investment yield	3 %	2 %	2 %	2 %	2%
Total yield	3 %	1 %	3 %	5 %	4%
Solvency capital					
Shareholders' equity	12,515	14,633	16,277	15,651	13,879
Deferred tax on untaxed reserves	2,358	2,359	2,358	2,301	2,302
Deferred tax on reserve for unrealized capital gains	−2	−10	−3	2	10
Total solvency capital	14,870	16,983	18,632	17,954	16,191
Solvency ratio	247 %	238 %	263 %	303 %	283 %
Capital base [2]	-	-	17,516	16,863	15,006
Required solvency capital	-	-	1,911	1,787	1,687
Group based values [2]					
Capital base	-	-	18,586	17,842	15,689
Solvency requirement	-	-	1,911	1,787	1,687
Total Eligible Own Funds[4]	8,732	11,059	12,317	-	-
Of which basic own funds	8,732	11,059	12,317	-	-
Consolidated Solvency capital requirement	7,838	8,117	8,609	-	-

[1] Includes Investment assets and Cash and bank balances.
[2] According to Solvency 1. Include Sirius International with subsidiaries.
[3] According to Solvency 1. Include SI Caleta (Gibraltar) .Ltd.
[4] According to Solvency 2 requirements. Sirius UK Holdings Ltd. For 2017 and SI Caleta (Gibraltar) Ltd for 2015–2016

PARENT COMPANY (MSEK)	2017	2016	2015	2014	2013
Net premium income	4,524	3,927	3,651	3,281	3,423
Net premiums earned	4,351	3,603	3,711	3,358	3,485
Allocated investment return	63	94	51	179	55
Net claims incurred	–3,007	–1,786	–1,734	–1,298	–1,623
Operating costs	–1,375	–1,305	–1,305	–1,208	–1,086
Other operating costs	–63	–192	–3	-	–2
Insurance operating result	–15	459	720	1,028	829
Investment operating result	138	3,457	354	575	1,329
Other expenses	4	10	–22	–28	–28
Net income for the year	122	3,855	717	1,386	1,266
Net technical provisions	6,938	5,923	5,522	5,627	5,557
Market value on investment assets [1]	17,916	20,271	18,313	19,526	19,241
Insurance operating profit, for own account					
Claims ratio	69 %	48 %	47 %	39 %	47%
Cost ratio	31 %	36 %	35 %	36 %	31%
Combined ratio	100 %	85 %	82 %	75 %	78%
Investment Result					
Investment yield	1 %	19 %	3 %	5 %	9%
Total yield	1 %	18 %	2 %	4 %	6%
Solvency Capital					
Shareholders' equity	4,063	4,856	3,618	4,456	4,576
Untaxed reserves	10,716	10,724	10,719	10,459	10,462
Deferred tax on Reserve for unrealized capital gains	-	-	-	-	12
Total solvency capital	14,780	15,580	14,337	14,914	15,050
Solvency ratio	327 %	397 %	393 %	455 %	440 %
Capital base [2]	-	-	13,372	14,035	14,237
Required solvency capital [2]	-	-	947	835	851
Total Eligible Own Funds[3]	13,410	17,005	18,146	-	-
Of which basic own funds	13,410	17,005	18,146	-	-
Minimum capital requirement (MCR)	1,646	1,808	1,793	-	-
Solvency capital requirement (SCR)	6,584	7,234	7,170	-	-

[1] Include Investment assets and Cash and bank balances.
[2] According to Solvency 1 requirements
[3] According to Solvency 2 requirements

Proposed appropriation of profits

For 2017, the Parent Company recorded income of MSEK 118 (MSEK 3,912) income before appropriations and taxes for the year amounted to MSEK 122 (MSEK 3,855). As of December 31, 2017 retained earnings in the Group amounted to MSEK 3,306 (5,400).

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

(SEK in thousands)	
Retained earnings	3,988,285
Non-Restricted reserves	–10,073
Transfer from restricted reserves	17,562
Dividends paid, as resolved by the general meeting of shareholders	–905,000
Net income for the year	122,293
Total	**3,213,067**

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

Dividend to the owner	0
To be carried forward	3,213,067
	3,213,067

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

Income Statement – Group

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2017	2016
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	11,053	10,806
Ceded reinsurance premiums	3	–5,031	–3,660
Change in the gross provision for unearned premiums		–390	–278
Change in the provision for unearned premiums, reinsurers' share		430	297
Total earned premiums, for own account		6,062	7,165
Allocated investment return transferred from the non-technical account		196	192
Claims incurred, for own account	4		
Claims paid			
— Gross amount		–6,409	–5,946
— Reinsurers' share		1,958	1,363
Claims paid, for own account		–4,451	–4,583
Change in the provision for claims, for own account			
— Gross amount	4	–1,166	129
— Reinsurers' share		986	210
Total claims incurred, for own account		–4,631	–4,244
Operating costs	5	–2,060	–2,566
Other Operating costs	5	–351	–362
OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT		**–784**	185
NON-TECHNICAL ACCOUNT			
Balance of technical account		–784	185
Investment income/expenses	9		
— Investment income	6	1,017	1,795
— Unrealized gains and losses	7	–83	–562
— Investment expenses and charges	8	–372	–880
— Share of result in associated companies	14	10	8
Investment income allocated to the technical account		–196	–192
Total investment income/expenses		376	169
RESULT BEFORE TAXES		**–408**	354
Taxes	10	–286	67
NET INCOME FOR THE YEAR		**–694**	421

Statement of Comprehensive Income – Group

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2017	2016
Net income for the year		–694	421
Other comprehensive income			
Items not to be reclassified to income statement:			
— Actuarial gains and losses on defined benefit pension plans	27	16	–6
— Tax on items not to be reclassified to income statement		–4	2
Items to be reclassified to income statement:			
— Change of fair value on bonds		7	53
— Currency translation differences		–540	575
— Tax on items to be reclassified to income statement	10	–1	–11
Items reclassified to income statement:			
— Change of fair value on bonds		5	–97
— Tax on items reclassified to income statement	10	–3	22
Other comprehensive income for the year, net of tax		–520	538
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–1,214**	959

Balance Sheet – Group

DECEMBER 31 (MSEK)	Note	2017	2016
ASSETS			
Intangible assets	11		
Goodwill		1,033	26
Other intangible assets		727	113
Total intangible assets		1,760	139
Investment assets			
Land and buildings	12	9	10
Interest bearing investments emitted by, and loans to, group companies		532	118
Shares and participations in associated companies	14	142	145
Other financial investments			
— Shares and participations	15,19	3,442	1,918
— Bonds and other interest bearing investments	16,19	14,059	20,581
— Derivative financial instruments	17,19	222	53
Total other financial investments		17,723	22,552
Deposits with cedents		1,064	811
Total investment assets		19,471	23,638
Reinsurers' share of technical provisions			
Provisions for unearned premiums	23	1,653	1,322
Claims outstanding	24	3,843	2,777
Total reinsurers' share of technical provisions		5,496	4,099
Debtors			
Debtors arising out of direct insurance operations		484	236
Debtors arising out of reinsurance operations		3,941	3,533
Current tax receivables		474	273
Deferred tax receivables	10	1,859	2,181
Other debtors	18, 19	175	93
Total debtors		6,933	6,316
Other assets			
Tangible assets	20	91	94
Cash and bank balance		3,070	2,764
Total other assets		3,161	2,858
Prepayments and accrued income	19		
Accrued interest		88	136
Deferred acquisition costs	21	516	645
Other prepayments and accrued income		11	19
Total prepayments and accrued income		615	800
TOTAL ASSETS		**37,437**	37,850

Balance Sheet – Group, cont.

DECEMBER 31 (MSEK)	Note	2017	2016
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
— Share capital (8 million shares of nom. value SEK 100)		800	800
— Additional paid in capital		5,480	5,480
— Reserves		1,411	1,943
— Retained earnings – restricted		8,409	8,433
— Retained earnings – non-restricted, including net income for the year		–3,585	–2,023
Total shareholders' equity		12,515	14,633
Minority intrest		-	7
Total shareholders' equity		12,515	14,640
Technical provisions			
Provisions for unearned premiums	23	3,718	3,601
Claims outstanding	24, 26	14,500	14,284
Total Technical provisions		18,218	17,885
Provisions for other risks and expenses			
Employee benefits	27	11	30
Current tax liabilities		162	0
Deferred tax liabilities	10	2,347	2,335
Other provisions		106	366
Total provisions for other risks and expenses		2,626	2,731
Liabilities			
Deposits received from reinsurers		699	727
Creditors arising out of direct insurance operations		298	135
Creditors arising out of reinsurance operations		1,760	1,076
Derivatives	17, 19	-	336
Other liabilities	19, 28	1,241	254
Accrued expenses and deferred income	19	80	66
Total liabilities		4,078	2,594
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**37,437**	37,850

Change in Shareholders' Equity – Group

(MSEK)	Share Capital[1]	Additional paid in capital	Reserves	Retained earnings – restricted[1]	Retained earnings – non-restricted	Total	Minority interest	Total Shareholders equity
Amount January 1, 2017	800	5,480	1,943	8,433	–2,023	14,633	7	14,640
Comprehensive income								
Net profit/loss for the year	-	-	-	-	–694	–694	-	–694
Change in untaxed reserves	-	-	-	–24	24	-	-	-
Other comprehensive income, after tax								
Change of fair value on bonds	-	-	8	-	-	8	-	8
Change defined benefit pension paid	-	-	-	-	13	13	-	13
Currency translation differencies	-	-	–540	-	-	–658	-	–540
Total other comprehensive income	-	-	–532	-	13	–517	-	–517
Total comprehensive income	-	-	–532	–24	-658	–1,214	-	–1,214
Transactions with owners								0
Acquisition of minority share	-	-	-	-	-	-	–7	–7
Dividend paid [2]	-	-	-	-	–905	–905	-	–905
Total transactions with owners	-	-	-	-	–905	–905	-	–912
AMOUNT DECEMBER 31, 2017	800	5,480	1,411	8,409	–3,585	12,515	-	12,515
Amount January 1, 2016	800	5,479	1,402	8,361	235	16,277	0	16,277
Comprehensive income								
Net profit/loss for the year	-	-	-	-	421	421	7	428
Change in untaxed reserves	-	-	-	4	–4	0	-	0
Reclassification within shareholders' equity	-	1	-	68	–69	0	-	0
Other comprehensive income, after tax								
Change of fair value on bonds	-	-	–34	-	-	–34	-	–34
Change defined benefit pension paid	-	-		-	–5	–5	-	–5
Currency translation differencies	-	-	575	-	-	575	-	575
Total other comprehensive income	0	0	541	0	–5	537	0	537
Total comprehensive income	0	1	541	72	343	958	7	964
Transactions with owners								0
Shareholder's contribution	-	-	-	-	–5	–5	-	–5
Dividend paid [2]	-	-	-	-	–2,597	–2,597	-	–2,597
Total transactions with owners	0	0	0	0	–2,602	–2,602	0	–2,602
AMOUNT DECEMBER 31, 2016	800	5,480	1,943	8,433	–2,023	14,633	7	14,640

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

[2] Dividend paid to the parent company Fund American Holdings AB. The dividend is equal to 113 SEK (325 SEK) per share.

Change in Shareholders' Equity – Group, cont.

(MSEK)	2017	2016
SHARE CAPITAL		
Specified in number of shares		
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000

Per December 31, 2017 the share capital comprised 8,000,000 (8,000,000) ordinary shares.
The shares have a nominal value of 100 (100) SEK.

	2017	2016
ADDITIONAL PAID IN CAPITAL		
Opening additional paid in capital	5,480	5,479
Reclassification within shareholders' equity	-	1
CLOSING ADDITIONAL PAID IN CAPITAL	**5,480**	5,480
RESERVES		
Fair value reserve		
Opening fair value reserve	–21	23
Change for the year	11	–44
Closing fair value reserve	–10	–21
Tax on fair value reserves		
Opening tax on fair value reserves	6	–4
Change for the year	–4	10
Closing tax on fair value reserve	2	6
Fair value reserve after tax		
Opening fair value reserve after tax	–15	19
Change for the year	7	–34
CLOSING FAIR VALUE RESERVE AFTER TAX	**–8**	–15
Translation difference		
Opening translation difference	1,958	1,383
Change for the year	–540	575
CLOSING TRANSLATION DIFFERENCE	**1,418**	1,958
RETAINED EARNINGS – RESTRICTED		
Opening retained earnings – restricted	8,433	8 361
Change for the year	–24	72
CLOSING RETAINED EARNINGS – RESTRICTED	**8,409**	8,433
RETAINED EARNINGS – NON-RESTRICTED		
Opening retained earnings – non-restricted	–2,023	235
Net profit/loss for the year	–694	421
Change in safety reserve and other restricted reserves	-	–4
Change defined benefit pension plans	13	–5
Reclassification within shareholders' equity	24	–69
Dividend paid	–905	–2,602
CLOSING RETAINED EARNINGS – NON-RESTRICTED	**–3,585**	–2,023

Cash flow Statement – Group

(MSEK)	Note	2017	2016
Operating Activities			
Profit/loss before tax		–408	354
Interest income		649	418
Interest expenses		–5	–1
Dividends received		58	36
Adjustment for non-cash items [1]		293	50
Income tax paid		–57	24
Cash flow from current operations before changes in assets and liabilities		530	881
Change in financial investments		1,307	764
Change in other operating receivables		–2,348	–1,265
Change in other operating liabilities		1,077	–574
Cash flow from operating activities		566	–194
Investing activities			
Net investment of intangible assets		-	14
Net investments of tangible assets		–38	–25
Cash flow from investing activities		–38	–11
Financing activities			
Capital contributions received		-	-
Dividends paid		–167	–365
Cash flow from financing activities		–167	–365
CASH FLOW FOR THE YEAR		**361**	–570
Cash and cash equivalents at beginning of year		2,773	2,842
Cash flow for the year		361	–570
Translation difference on Cash and cash equivalents		–64	501
CASH AND CASH EQUIVALENTS AT END OF YEAR [2]		**3,070**	2,773
[1] specification of non cash items			
Depreciations	11, 12, 20	102	58
Capital gains on foreign exchange	6	-	–405
Capital losses on foreign exchange	8	101	793
Capital gains	6	–310	–935
Capital losses	8	196	-
Unrealized gains	7	–649	–456
Unrealized losses	7	731	1,018
Interest income	6	–649	–418
Interest expenses	8	4	1
Dividends received	6	–58	–36
Shares of result in associated companies	14	11	–8
Change in provisions for outstanding claims	24	835	450
Pension provisions		–21	–4
Total		293	50
[2] The following components are included in cash and cash equivalents:			
Cash and bank balances		1,636	1,055
Short term investments, equivalent to cash and cash equivalents		1,434	1,718
Total		3,070	2,773

Performance Analysis – Group

1 JANUARY – 31 DECEMBER 2017 (MSEK)	Direct Swedish risks — property	Direct Swedish risks — aviation	Direct Swedish risks — MFL	Direct foreign risks	Assumed reinsurance	Total
ANALYSIS OF INSURANCE RESULT						
Technical result insurance operations						
Premiums earned, for own account	4	1	3	1,501	4,553	6,062
Allocated investment return transferred from the non-technical account				24	172	196
Claims incurred, for own account	–23			–1,288	–3,320	–4,631
Operating costs	–2			–661	–1,397	–2,060
TECHNICAL RESULT OF INSURANCE OPERATION [1]	–21	1	3	–424	8	–433
Of which results from prior years, gross amounts[2]	–1			–701	–612	–1,314
Technical provisions						
Unearned premiums and remaining risks	–2			–1,556	–2,160	–3,718
Outstanding claims	–18	–1		–1,511	–12,794	–14,324
Claims adjustment provision				–29	–147	–176
TECHNICAL PROVISIONS	–20	–1		–3,096	–15,101	–18,218
Reinsurers' share of technical provisions						
Unearned premiums and remaining risks				857	796	1,653
Outstanding claims		1		669	3,173	3,843
REINSURERS' SHARE OF TECHNICAL PROVISIONS		1		1,526	3,969	5,496
Premiums earned, for own account						
Gross premium income	4	1	4	3,867	7,177	11,053
Ceded reinsurance premium			–1	–2,162	–2,868	–5,031
Change in gross provision for unearned premiums				–612	222	–390
Reinsurers' share of change in unearned premiums				408	22	430
PREMIUMS EARNED, FOR OWN ACCOUNT	4	1	3	1,501	4,553	6,062
Claims incurred, for own account						
Claims paid	–9			–1,891	–4,321	–6,221
Reinsurers' share				886	1,072	1,958
Claims handling expenses				–44	–144	–188
Change in provision for outstanding claims	–14			–518	–634	–1,166
Reinsurers' share				279	707	986
CLAIMS INCURRED, FOR OWN ACCOUNT	–23			–1,288	–3,320	–4,631

[1] Exludes other operating costs that are not related to the insurance operations.
[2] Defined as result from underwriting year 2016 and earlier

Income Statement – Parent Company

JANUARY 1 — DECEMBER 31 (MSEK)	Note	2017	2016
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	8,357	6,795
Ceded reinsurance premiums	3	–3,833	–2,868
Change in the gross provision for unearned premiums		–417	–665
Change in provision for unearned premiums, reinsurers' share		244	341
Total earned premium, for own account		4,351	3,603
Allocated investment return transferred from the non-technical account		63	94
Claims incurred, for own account	4		
Claims paid			
— Gross amount		–3,204	–2,768
— Reinsurers' share		1,304	846
Claims paid, for own account		–1,900	–1,922
Change in the provision for claims, for own account			
— Gross amount	4	–1,783	83
— Reinsurers' share		676	53
Total claims incurred, for own account		–3,007	–1,786
Operating costs	5	–1,375	–1,305
Other Operating costs	5	–63	–192
Change in equalization provision	25	15	45
OPERATING PROFIT/LOSS OF TECHNICAL ACCOUNT		**–16**	459
NON-TECHNICAL ACCOUNT			
Balance of technical account		–16	459
Investment income/expenses	9		
— Investment income	6	285	4,238
— Unrealized gains and losses	7	377	251
— Investment expenses and charges	8	–461	–938
Investment income allocated to the technical account		–63	–94
Total investment income/expenses		138	3,457
Goodwill depreciation	11	–4	–4
Result before appropriations and taxes		118	3,912
Appropriations	22		
Change in accelerated depreciations		-	-
Provision to safety reserve		8	–5
Result before taxes		126	3,906
Taxes	10	–4	–51
NET INCOME FOR THE YEAR		**122**	3,855

Statement of Comprehensive Income – Parent Company

JANUARY 1 – DECEMBER 31 (MSEK)	Note	2017	2016
Net income for the year		122	3,855
Other comprehensive income			
Items to be reclassified to income statement:			
— Change of fair value on bonds		7	69
— Tax on items to be reclassified to income statement		–2	–15
Items reclassified to income statement:			
— Change of fair value on bonds		–20	–88
— Tax on items reclassified to income statement		5	19
Other comprehensive income for the year, net of tax		–10	–15
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112**	3,840

Balance Sheet – Parent Company

DECEMBER 31 (MSEK)	Note	2017	2016
ASSETS			
Intangible assets	11		
Goodwill		9	13
Other intangible assets		50	68
Total intangible assets		59	81
Investment assets			
Land and buildings	12	9	10
Shares and participations in group companies	13	10,617	10,760
Shares and participations in associated companies		122	122
Interest-bearing securities issued by, and loans to, Group companies.		527	-
Other financial investments			
— Shares and participations	15, 19	1,153	152
— Bonds and other interest-bearing securities	16, 19	4,114	6,468
— Derivative financial instruments	17, 19	222	53
Total other financial investments		5,489	6,673
Deposits with cedents		1,150	1,286
Total investment assets		17,914	18,851
Reinsurers' share of technical provisions			
Provisions for unearned premiums	23	1,236	1,125
Claims outstanding	24	2,151	1,520
Total reinsurers' share of technical provisions		3,387	2,645
Debtors			
Debtors arising out of direct insurance operations		86	63
Debtors arising out of reinsurance operations		3,599	2,175
Current tax receivables		349	274
Deferred tax receivables	10	34	47
Other debtors	18,19	944	488
Total debtors		5,012	3,047
Other assets			
Tangible assets	20	58	75
Cash and bank balance		1,386	1,420
Total other assets		1,444	1,495
Prepayments and accrued income	19		
Accrued interest		46	68
Deferred acquisition costs	21	403	431
Other prepayments and accrued income		11	18
Total prepayments and accrued income		460	517
TOTAL ASSETS		**28,278**	26,636

Balance Sheet – Parent Company, cont.

DECEMBER 31 (MSEK)	Note	2017	2016
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		–1	9
Retained earnings		3,142	192
Net income for the year		122	3,855
Total shareholders' equity		4,063	4,856
Untaxed reserves	22		
Accumulated accelerated depreciations		26	34
Safety reserve		10,690	10,690
Total untaxed reserves		10,716	10,724
Technical provisions			
Provisions for unearned premiums	23	2,787	2,602
Claims outstanding	24, 26	7,510	5,922
Equalization provision	25	29	44
Total technical provisions		10,326	8,568
Provisions for other risks and expenses			
Pension provisions	27	14	16
Current tax liabilies		150	170
Deferred tax liabilities	10	-	-
Other provisions		55	233
Total provisions for other risks and expenses		218	419
Deposits received from reinsurers		403	473
Creditors			
Creditors arising out of direct insurance operations		1	0
Creditors arising out of reinsurance operations		1,566	1,020
Derivative financial instruments	17, 19	-	336
Other creditors	19, 28	906	179
Total creditors		2,473	1,535
Accrued expenses and deferred income			
Other accrued expenses and deferred income	19	77	61
Total accrued expenses and deferred income		77	61
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**28,278**	26,636

Change in Shareholders' Equity – Parent Company

(MSEK)	Share Capital	Restricted reserves	Other Reserves[1]	Retained earnings[1]	Net profit/loss for the year[1]	Total
Amount January 1, 2017	800	68	9	124	3,855	4,856
Transfer of net result from previous year	-	-	-	3,855	–3,855	0
Reclassification within shareholders' equity	-	–18	-	18	-	0
Comprehensive income						
Net profit/ loss for the year	-	-	-	-	122	122
Other comprehensive income, net after tax						
Change of fair value on bonds	-	-	–10	-	-	–10
Total other comprehensive income	-	-	–10	-	-	–10
Total comprehensive income	-	-	–10	-	122	112
Transactions with owners						
Dividend paid [2]	-	-	-	–905	-	–905
Total transactions with owners	-	-	-	–905	-	–905
AMOUNT DECEMBER 31, 2017	800	50	–1	3,092	122	4,063
Amount January 1, 2016	800	-	23	2,078	717	3,618
Transfer of net result from previous year	-	-	-	717	–717	0
Reclassification within shareholders' equity	-	68	-	–68	-	-
Comprehensive income						
Net profit/ loss for the year	-	-	-	-	3,855	3,855
Other comprehensive income, net after tax						
Change of fair value on bonds	-	-	–14	-	-	–14
Total other comprehensive income	-	-	–14	-	-	–14
Total comprehensive income		-	–14	-	3,855	3,841
Transactions with owners						
Shareholder's contribution [3]	-	-	-	–5	-	–5
Dividend paid [2]	-	-	-	–2,597	-	–2,597
Total transactions with owners	-	-	-	–2,602	-	–2,602
AMOUNT DECEMBER 31, 2016	800	68	9	124	3,855	4,856

[1] The columns Other reserves, Retained earnings and Net profit/loss for the year together represents the non-restricted shareholders' equity for the parent company.
[2] Dividend paid to the parent company Fund American Holdings AB. Dividend is equal to SEK 113 (SEK 325) per share.
[3] Shareholder's contribution to the parent company Fund American Holdings AB.

Change in Shareholders' Equity – Parent Company, cont.

(MSEK)	2017	2016
SHARE CAPITAL		
Specified in number of shares		
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000

Per December 31, 2017 the share capital comprised 8,000,000 (8,000,000) ordinary shares.
The shares have a nominal value of 100 (100) SEK.

(MSEK)	2017	2016
OTHER RESERVES		
Fair value reserve		
Opening fair value reserve	12	29
Change for the year	–13	–17
Closing fair value reserve	–1	12
Tax on fair value reserves		
Opening tax on fair value reserves	–3	–6
Change for the year	3	5
Closing tax on fair value reserve	0	–3
Fair value reserve after tax		
Opening fair value reserve after tax	9	23
Change for the year	–10	–14
CLOSING FAIR VALUE RESERVE AFTER TAX	**–1**	9
RETAINED EARNINGS		
Opening retained earnings	124	2,078
Transfer of net result from previous year	3,855	717
Transfer to restricted reserve	18	–68
Group contributions paid	-	–5
Dividend paid	–905	–2,597
CLOSING RETAINED EARNINGS	**3,092**	124
RESTRICTED RESERVE		
Opening restricted reserve	68	-
Transfer to restricted reserve	–18	68
CLOSING RESTRICTED RESERVE	50	68
NET PROFIT/LOSS FOR THE YEAR		
NET PROFIT/LOSS FOR THE YEAR	**122**	3,855

Cash flow Statement – Parent Company

(MSEK)	Note	2017	2016
Operating Activities			
Profit/loss before tax		118	3,912
Interest income		130	119
Interest expenses		–5	–6
Dividends received		123	998
Adjustment for non-cash items [1]		–1,119	–3,656
Income tax paid		–84	16
Cash flow from current operations before changes in assets and liabilities		–837	1,383
Change in financial investments		533	–1,617
Change in other operating receivables		–2,255	–897
Change in other operating liabilities		2,848	1,808
Cash flow from operating activities		289	677
Financing activities			
Net investment of intangible assets		–11	–18
Net investments of tangible assets		–9	–23
Cash flow from investing activities		–20	–41
Investing activities			
Dividend paid		–167	–365
Cash flow from financing activities		–167	–365
CASH FLOW FOR THE YEAR		**102**	271
Cash and cash equivalents at beginning of year		1,420	1,104
Cash flow for the year		102	271
Translation difference on Cash and cash equivalents		–136	45
CASH AND CASH EQUIVALENTS AT END OF YEAR[2]		**1,386**	1,420
[1] *Specification of non-cash items:*			
Depreciations	11,12,20	60	58
Capital gains on foreign exchange	6	-	–247
Capital losses on foreign exchange	8	170	-
Capital gains	6	–32	–286
Capital losses	8	272	891
Unrealized gains	7	–627	–461
Unrealized losses	7	250	210
Interest income	6	–130	–119
Interest paid	8		6
Dividends received	6	–123	–3,631
Change in provisions for outstanding claims	24	–957	–77
Pension provisions		–2	-
Total		–1,119	–3,656
[2] *The following components are included in Cash and cash equivalents:*			
Cash and bank balances		633	585
Short term investments, equivalent to cash and cash equivalents		753	835
Total		1,386	1,420

Performance Analysis – Parent Company

1 JANUARY – 31 DECEMBER 2017 (MSEK)	Direct Swedish risks – property	Direct Swedish risks – aviation	Direct Swedish risks – MFL	Direct foreign risks	Assumed reinsurance	Total
ANALYSIS OF INSURANCE RESULT						
Technical result insurance operations						
Premiums earned, for own account	4	1	2	588	3,756	4,351
Allocated investment return transferred from the non-technical account				3	60	63
Claims incurred, for own account	–23			–295	–2,689	–3,007
Operating costs	–2			–306	–1,067	–1,375
Change in equalization provision					15	15
TECHNICAL RESULT OF INSURANCE OPERATION [1]	–21	1	2	–10	75	47
Of which results from prior years, gross amounts [2]	–1			–367	–995	–1,363
Technical provisions						
Unearned premiums and remaining risks	–2			–644	–2,141	–2,787
Outstanding claims	–18	–1		–292	–7,060	–7,371
Claims adjustment provision				–10	–129	–139
Equalization provision					–29	–29
TECHNICAL PROVISIONS	–20	–1		–946	–9,359	–10,326
Reinsurers' share of technical provisions						
Unearned premiums and remaining risks	-	0		447	789	1,236
Outstanding claims	-	1		116	2,034	2,151
REINSURERS' SHARE OF TECHNICAL PROVISIONS	-	1		563	2,823	3,387
Premiums earned, for own account						
Gross premium income	4	1	4	1 345	7,003	8,357
Ceded reinsurance premium	-	-	–1	–835	–2,997	–3,833
Change in gross provision for unearned premiums	-	-	-	–14	–403	–417
Reinsurers' share of change in unearned premiums	-	-	-	91	153	244
PREMIUMS EARNED, FOR OWN ACCOUNT	4	1	3	587	3,756	4,351
Claims incurred, for own account						
Claims paid	–9			–618	–2,459	–3,086
Reinsurers' share				310	994	1,304
Claims handling expenses				–9	–109	–118
Change in provision for outstanding claims	–14			–54	–1,715	–1,783
Reinsurers' share				76	600	676
CLAIMS INCURRED, FOR OWN ACCOUNT	–23			–295	–2,689	–3,007

[1] Exludes other operating costs that are not related to the insurance operations.
[2] Defined as result from underwriting year 2016 and earlier.

PROPERTY

Note 1 – Accounting principles

GENERAL INFORMATION

This annual report was issued per December 31, 2017 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 CM International Holdings PTE Ltd.,Singapore and in turn owned by China Minsheng Investment Corp.,Ltd.,China. 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 2015:12) with amendments 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 2015:12) with amendments, 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, 2017 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

None of the IFRS standards that are mandatory for the first time for the financial year starting January 1st 2017 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 came into effect for financial years beginning after 1 January 2017 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 and is adopted by EU. It replaces certain parts of IAS 39 that handles classification and valuation of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets; amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through P&L with the irrevocable option at the inception to present changes in fair value in OCI and no recycling is made at disposal of the instrument. There is now a new expected credit loss 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. Insurance companies are permitted to defer the implementation of the standard until IFRS 17, Insurance Contracts, is effective. However, no later than 2021. The group has not yet evaluated in what timeframe the standard will be applied. Evaluation of the effects is an ongoing process and the initial assessment is that the introduction of the new standard will not have any significant effect on valuation nor the income statement.

IFRS 15 Revenue from contracts with customers regulates the reporting of revenues from contracts other than insurance contracts. The principles that IFRS 15 is built upon shall provide users of financial reports 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 disclosedAccording to IFRS 15 revenue is based on the principle that it is recognised when the customer obtains control over the sold goods or services and have the ability to use and gain the benefits from goods or services. IFRS 15 replaces IAS 18 Revenue, and IAS 11 Construction contracts and the related SIC and IFRIC. IFRS 15 come into effect on January 1, 2018 and is adopted by EU. Early adoption is permitted. At present, the group can not estimate the quantitative impact on the financial statements. The group will make a detailed evaluation in the upcoming year.

The Group has reviewed all revenue flows and related contracts where the income statement is not governed by another standard, which for the insurance company relates to IFRS 4 / IFRS 17 relating to insurance contracts, IAS 39 / IFRS 9 relating to income from financial instruments and IAS 17 / IFRS 16 regarding leasing. The Group has analyzed the contracts based on the five steps in IFRS 15 and concluded that the standard has no significant impact on the insurance company's income statement. However, the standard will lead to increased disclosure requirements in future annual reports.

IFRS 16 Leases was published in January 2016 and will replace IAS 17 Leases and related interpretations. The largest effect from the new rules is that a lessee shall report a lease asset (the right to use an asset) and financial liability in the balance sheet. In the income statement, the linear operating leasing cost is replaced by depreciation cost of the leased asset and an intrest expense for the financial liability.

At present, a lessee does not recognize an operational lease asset in the balance sheet . The group's assessment is that this standard will not have any significant impact of the group's financial statements. The standard will come into effect on January 1, 2019 and is not adopted by EU.

No other of the IFRS or IFRIC interpretations which have not yet come into force are expected to have any significant impact on the Group.

ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires the Company's management to make assessments and estimates, as well as assumptions impacting the application of the accounting principles and the recorded values of assets, provisions, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a number of other factors considered reasonable in the current situation. The results of these estimates and assumptions are, subsequently, used to assess the recorded values of assets, provisions and liabilities which are not otherwise clearly apparent from other sources. Actual outcome can deviate from these estimates and assessments.

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

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

Insurance contracts and financial instruments

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

All agreements that are insurance contracts have been subject to assessment regarding whether they signify a transfer of significant insurance risk, so that they can also be presented as insurance contracts in the accounts. In the case of certain agreements which are a combination of risk and savings, the Company has been obligated to undertake an assessment of the contracts which can be considered to signify a transfer of significant insurance risk. The amount of the insurance risk has been assessed through a consideration of whether there exists one or more scenarios with commercial implications in which the insurance company

Note 1 – Cont.

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.

Premium estimates

Accrued premiums are accounted in the income statement based on assumptions and estimates of expected premiums and earnings patterns.

Deferred taxes

The Group accounts for deferred tax receivables at each closing date to the extent that they are likely to be utilized against future taxable surpluses in coming periods. This is based on estimates of future profitability and return. If these estimates change it may result in deferred tax receivables being reduced in the coming periods. When future returns are estimated historical experience is considered as well as assessment of future development of the underlying asset base.

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 April 20, 2018. The income statement and balance sheet will be adopted at the General Meeting held in April 2018.

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

Associated companies

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

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

Transactions eliminated on consolidation

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

FOREIGN CURRENCY

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on transaction date. The Parent Company's, 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	8,21	8,54
EUR	9,84	9,63
GBP	11,09	11,03

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

Acquisition costs

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

Technical provisions

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

Provision for unearned premiums and unexpired risks

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

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

Provision for outstanding claims

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

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

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

Claims adjustment provision

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

Deferred acquisition costs for insurance contracts

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

Provision adequacy testing

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

Operating costs

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

Ceded reinsurance

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

The reinsurers' share of technical provisions are recorded as an asset in the balance sheet and corresponds to the reinsurers' liability for technical provisions in accordance with entered agreements. The Company assesses any required impairment for assets referring to reinsurance agreements 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 2017 amounted to 1.93%.

Applied interest rates

%	2017	2016
EUR	1.45 %	5.09 %
GBP	0.84 %	6.08 %
SEK	0.62 %	0.39 %
USD	1.98 %	1.15 %

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,

Note 1 – Cont.

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 it useful life. An intangible asset with a finite useful life is amortized while an intangible asset with an indefinite 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.

Other acquired intangible assets

Other intangible assets does mainly consists of balances from the acquired Armada business. The assets from Armada is divided into the following subject assets; distributions partners, technology and software.

Other acquired intangible assets – Licenses

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

LAND AND BUILDINGS

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

FINANCIAL INSTRUMENTS

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

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

Classification and valuation

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

Financial assets valued at fair value via the income statement

This category consists of two sub-groups: financial assets held for trading and other financial assets that the Company had initially designated on initial recognition as an asset to be measured at fair value trough the income statement (according to the so-called Fair Value Option). Fair Value Option is used in order to reduce mismatch between valuation and accounting of financial assets. (i.e.


ACCIDENT & HEALTH

Note 1 – Cont.

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 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 at closing day, 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 of observable conditions which have arisen and which have a negative impact on the possibility of recovering the acquisition cost. For investments in equity intruments objective evidence is also constituted by significant or extended reductions of the fair value of a financial investment classified as an available-for-sale financial asset.

Reversal of impairment

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

The impairment of interest-bearing instruments, classified as available-for-sale financial assets, is reversed via other comprehensive income if fair value increases and this increase can objectively be related to an event occurring after the write-down was carried out.

LEASED ASSETS

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

TANGIBLE ASSETS

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

Depreciation of tangible and amortization of intangible assets

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

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

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

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

Reversal of impairment

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

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

Note 1 – Cont.

effect, the amount of the provision is calculated via the discounting of the expected future cash flow to an interest rate before taxes which reflects the relevant market assessments of the effect of the time value of money and, if applicable, the risks associated with the liability.

Pensions and similar commitments

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

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

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

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

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

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

Remuneration upon termination of employment

Remuneration upon 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 income statement on a straight-line basis over the estimated useful life of the asset. The estimated useful life is reviewed annually. The estimated useful life for goodwill, and goodwill arising from the purchase of the net assets of a business, amounts to 20 years. Amortization which deviates from plan is handled as an appropriation and is reported under the heading Difference between reported depreciation/amortization and depreciation/amortization according to plan.

Subsidiaries and associated companies

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

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

Self-developed software

An amount corresponding to what has been capitalized is transfered to restricted reserves. The reserve is subsequently reversed in line with the amortizations, according to ÅRL ch 3.§ 10 a.

Anticipated dividends

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

Taxes

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

Pensions

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

Appropriations and untaxed reserves

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

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

A total of 22% of the untaxed reserves can be considered as a deferred tax liability and 78% as shareholders' equity. The deferred tax liabilities can be described as an interest-free liability with a non-defined duration. In the group accounts, 22% of the untaxed reserves are allocated to deferred tax liabilities and 78% to shareholders' equity. In an assessment of financial strength, the total value of the untaxed reserves is considered risk capital, as any losses can be covered, to a large extent, by the dissolution of untaxed reserves without taxes becoming

Note 1 – Cont.

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.

Since the new Insurance Business act came into force, the equalization provision have to be dissolved no later than on December 31, 2019 according to law 2015:700 12 pt.

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 or in qualitative terms. 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 is a sub-committee to the Board of Directors and has the objective of overseeing and advising risk management processes including:

- 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 management and compliance are responsible for the independent monitoring of Sirius' risks. The functions submit quarterly risk reports and compliance reports to the CEO, the Management Group and to the Board of Directors. Additionally, ad hoc reporting is done when deemed necessary.

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

INSURANCE RISK MANAGEMENT

Goals, principles and methods

A clear focus on managing insurance risks is vital for Sirius' continued success. These risks are mainly managed by an evaluation of the degree of gross and net risk (after retrocessional protections) that Sirius is willing to assume. Sirius divides insurance risk 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 be the basics of all underwriting. Other underwriting guiding principles include diversification, strong accumulation control and an active use of retrocession in order to adjust risks to acceptable risk tolerance levels.

At Sirius America the ultimate responsibility for managing these risks is assigned to each underwriting unit. This is primarily a question of direct Accident & Health (A&H) as the reinsurance book is transferred to SBDA. For this line of business, the Global Head of A&H in conjunction with the America Underwriting

Note 2 – Cont.

Manager is responsible. The cat exposure is handled in combination with the catastrophe Probable Maximum Loss (PML) reporting applicable for the whole group.

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 the possibility that losses deviate 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 by 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 constitutes the framework for all risk acceptances, and these guidelines contain sections regarding i.a. limits, underwriting authorities and restricted business. A Four-Eyes underwriting system, i.e. 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 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 unit focuses in detail on how the business is underwritten and that the underwriters follow issued policies and procedures. Another unit controls the underwriting systems and ensures that they are used correctly and that input data is accurate. Finally, Risk Management, Compliance and Internal Audit monitor these control groups, carrying out random inspections/tests, in detail ensuring that sufficient controls are implemented and performed.

Retrocession

Sirius International uses retrocession as a tool to manage net risk and has a centralized unit responsible for the purchase and administration of its outwards reinsurance. The reinsurance purchases are 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 estimate 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 period. Sirius analyzes catastrophe risks each quarter during the financial year. The figures show the situation at the end of Q4 2016 and Q4 2017.

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

MSEK	2017		2016	
	Once per 100 years	Once per 250 years	Once per 100 years	Once per 250 years
Global — Gross	3,376	4,146	3,975	4,917
Global — Net	2,104	2,512	2,435	2,968
Europe — Gross	3,144	4,049	3,431	4,604
Europe — Net	1,001	1,265	891	1,081
US — Gross	2,442	2,928	3,105	3,940
US — Net	2,059	2,480	2,353	2,911

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 at different return periods in order to manage the potential impact of remote events on Sirius' financial position. The calculation of the NFI begins with the modeled TVaR PML and takes estimated reinstatement premiums, reinsurance recoverables net of estimated uncollectible balances and tax benefits into account. 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, Sirius applies another licensed third-party model, ALPS, in which the exposure per airline company can be modeled and monitored. Within the insurance classes A&H, Property and Trade Credit, the company has models which it has developed internally.

Reserve risk

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

The Group has asbestos and environmental claims amounting to MSEK 1,660 (1,633) net in the Group balance sheet. These claims are actively managed and are subject to in depth analyses, the latest during the first half of 2017. The reserve increase during 2017 stems from the alignment of the reserves to the result of the review.

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 2017. The table below is thus not directly comparable to the income statement. The changes 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 UNDERWRITING YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Estimated claims:											
at the close of the calendar year	4,179	4,047	3,395	4,893	3,404	3,288	2,844	2,847	3,695	4,467	
1 year later	5,198	5,871	8,465	6,365	4,508	4,757	4,732	4,768	6,056		
2 years later	5,189	8,940	8,326	6,551	4,336	4,616	4,886	4,800			
3 years later	8,861	8,797	8,276	6,395	4,254	4,518	4,850				
4 years later	8,824	8,720	8,110	6,356	4,223	4,492					
5 years later	8,807	8,652	8,068	6,337	4,212						
6 years later	8,774	8,667	8,054	6,311							
7 years later	8,736	8,646	8,001								
8 years later	8,726	8,644									
9 years later	8,707										
Current estimate of total claims	8,707	8,644	8,001	6,311	4,212	4,492	4,850	4,800	6,056	4,467	
Total paid	8,543	8,508	7,787	6,176	3,968	4,211	4,415	3,889	3,532	467	
CLAIMS OUTSTANDING[1]	**164**	**136**	**214**	**135**	**244**	**281**	**435**	**910**	**2,523**	**4,000**	**9,044**
2007 AND PRIOR YEARS	-	-	-	-	-	-	-	-	-	-	**5,170**
TOTAL	-	-	-	-	-	-	-	-	-	-	**14,214**

GROUP – CLAIMS, NET OF REINSURANCE UNDERWRITING YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Estimated claims:											
at the close of the calendar year	3,826	3,497	2,780	4,381	3,117	2,351	2,056	2,118	2,668	2,351	
1 year later	4,581	4,561	7,733	5,980	3,885	3,417	3,580	3,592	4,350		
2 years later	4,532	7,767	7,466	5,921	3,614	3,338	3,776	3,790			
3 years later	8,498	7,344	7,423	5,569	3,521	3,256	3,750				
4 years later	7,743	7,274	7,240	5,540	3,494	3,239					
5 years later	7,627	7,210	7,201	5,517	3,467						
6 years later	7,592	7,243	7,196	5,500							
7 years later	7,570	7,224	7,156								
8 years later	7,569	7,222									
9 years later	7,552										
Current estimate of total claims	7,552	7,222	7,156	5,500	3,467	3,239	3,750	3,790	4,350	2,351	
Total paid	7,400	7,106	6,966	5,382	3,283	3,061	3,430	3,086	2,509	− 45	
CLAIMS OUTSTANDING[1]	**152**	**116**	**190**	**118**	**185**	**178**	**320**	**704**	**1,841**	**2,396**	**6,200**
2007 AND PRIOR YEARS	-	-	-	-	-	-	-	-	-	-	**4,172**
TOTAL	-	-	-	-	-	-	-	-	-	-	**10,371**

PARENT COMPANY – CLAIMS , GROSS UNDERWRITING YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Estimated claims:											
at the close of the calendar year	4,179	4,047	3,395	2,387	2,200	2,449	1,922	1,804	2,045	3,310	
1 year later	5,198	5,871	5,141	3,517	2,889	3,382	2,780	2,529	3,704		
2 years later	5,189	5,591	4,970	3,352	2,733	3,181	2,649	2,531			
3 years later	5,106	5,507	4,940	3,167	2,677	3,133	2,673				
4 years later	5,113	5,469	4,840	3,132	2,701	3,125					
5 years later	5,093	5,411	4,814	3,134	2,690						
6 years later	5,049	5,434	4,789	3,108							
7 years later	5,002	5,429	4,753								
8 years later	4,980	5,450									
9 years later	4,970										
Current estimate of total claims	4,970	5,450	4,753	3,108	2,690	3,125	2,673	2,531	3,704	3,310	
Total paid	4,896	5,350	4,604	2,920	2,487	2,891	2,352	1,971	1,958	194	
CLAIMS OUTSTANDING[1]	**75**	**100**	**149**	**188**	**203**	**234**	**322**	**559**	**1,745**	**3,116**	**6,692**
2007 AND PRIOR YEARS	-	-	-	-	-	-	-	-	-	-	**680**
TOTAL	-	-	-	-	-	-	-	-	-	-	**7,372**

PARENT COMPANY – CLAIMS , NET OF REINSURANCE UNDERWRITING YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Estimated claims:											
at the close of the calendar year	3,826	3,497	2,780	1,845	1,773	1,514	1,250	1,246	1,365	1,594	
1 year later	4,581	4,561	4,269	2,662	2,215	2,125	1,816	1,753	2,756		
2 years later	4,532	4,321	4,089	2,522	2,052	2,002	1,706	1,777			
3 years later	4,445	4,315	4,063	2,340	1,984	1,969	1,727				
4 years later	4,460	4,288	3,945	2,314	2,012	1,969					
5 years later	4,447	4,233	3,923	2,312	1,986						
6 years later	4,404	4,249	3,902	2,294							
7 years later	4,374	4,234	3,880								
8 years later	4,359	4,251									
9 years later	4,353										
Current estimate of total claims	4,353	4,251	3,880	2,294	1,986	1,969	1,727	1,777	2,756	1,594	
Total paid	4,303	4,192	3,762	2,125	1,841	1,837	1,514	1,351	1,242	− 197	
CLAIMS OUTSTANDING[1]	**51**	**60**	**118**	**169**	**144**	**132**	**213**	**426**	**1,513**	**1,791**	**4,616**
2007 AND PRIOR YEARS	-	-	-	-	-	-	-	-	-	-	**604**
TOTAL	-	-	-	-	-	-	-	-	-	-	**5,220**

[1] 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 90 percent shall be invested in fixed income securities at all times. Furthermore, at least 90 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 Investment Committee is responsible for the continuous management of market risks. The development of the market risks is reported within the Investment Committee on a quarterly basis. The Investment Committee is reporting to the Sirius Board of Directors.

The company's investment operations during 2017 yielded a total return of 2.9 percent (2.1 percent in 2016), expressed in SEK. The duration in the portfolio with interest-bearing investments at the end of 2017 was 2.4 years which was lower compared to 2016 (3.1 years). During the year the group has increased the portion of shares and participations compared to 2016. 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	
	2017	**2016**	**2017**	**2016**
Bonds and other interest-bearing securities	67.97	81.99	11.07	34.70
Shares in associated companies	0.66	0.55	70.74	58.38
Shares and participations	16.03	7.60	7.60	0.82
- whereof venture capital companies	5.96	1.41	0.91	0.72
Derivatives	1.04	–1.12	1.47	–1.52
Cash and bank balances	14.30	10.98	9.12	7.62
TOTAL	**100.00**	100.00	**100.00**	100.00

Note 2 – Cont.

Below, the company's exposure and sensitivity to the respective market risks are described.

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 as per December 31, 2017 and December 31, 2016.

INVESTMENT ASSETS, INTEREST RATE RISK

GROUP	EXPOSURE (MSEK) 2017	2016	SCENARIO, STRESS TEST 2017	2016	CAPITAL REQUIREMENTS (MSEK) 2017	2016
Assets in SEK	1,738	1,859	100 bp	100 bp	76	77
Assets in EUR	771	1,574	100 bp	100 bp	27	82
Assets in USD and other currencies	11,550	17,149	100 bp	100 bp	231	472
TOTAL	**14,059**	20,582	**-**	-	**334**	631

PARENT COMPANY	EXPOSURE (MSEK) 2017	2016	SCENARIO, STRESS TEST 2017	2016	CAPITAL REQUIREMENTS (MSEK) 2017	2016
Assets in SEK	1,406	1,531	100 bp	100 bp	62	64
Assets in EUR	771	1,574	100 bp	100 bp	27	82
Assets in USD and other currencies	1,937	3,363	100 bp	100 bp	37	106
TOTAL	**4,114**	6,468	**-**	-	**126**	252

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 as per December 31, 2017 and December 31, 2016.

INVESTMENT ASSETS, EQUITY RISK

GROUP	EXPOSURE (MSEK) 2017	2016	SCENARIO, STRESS TEST 2017	2016	CAPITAL REQUIREMENTS (MSEK) 2017	2016
Foreign shares and participations	3,442	1,918	35%	35%	1,204	671
Foreign subsidiaries and associated companies	142	145	35%	35%	50	51
TOTAL	**3,584**	2,063	**-**	-	**1,254**	722

PARENT COMPANY	EXPOSURE (MSEK) 2017	2016	SCENARIO, STRESS TEST 2017	2016	CAPITAL REQUIREMENTS (MSEK) 2017	2016
Foreign shares and participations	1,153	152	35%	35%	403	53
Foreign subsidiaries and associated companies	10,739	10,882	35%	35%	3,759	3,809
TOTAL	**11,892**	11,034	**-**	-	**4,162**	3,862

Note 2 – Cont.

CURRENCY RISK

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

The Investment Committee meets at least quarterly in order to monitor currency exposure and limit currency risk. The Finance Department monitor the currency exposure on an ongoing basis. 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

	2017				2016			
GROUP	USD	EUR	GBP	Other	USD	EUR	GBP	Other
Shares and participations	2,857	220	4	36	2,450	17	4	-
Bonds and other interest-bearing securities	9,354	1,276	180	36	13,950	1,615	1,520	-
Other financial investment assets	2,294	60	110	334	2,014	125	32	394
Other assets and liabilities, net	6,803	678	–45	213	4,539	178	–39	214
Total assets	21,308	2,234	249	619	22,953	1,935	1,517	608
Technical provisions, net	–10,218	–1,823	–315	–501	–11,166	–1,291	–244	–563
Total liabilities and provisions	–10,218	–1,823	–315	–501	–11,166	–1,291	–244	–563
Net exposure before financial hedging with derivatives	11,090	412	–66	119	11,787	644	1,273	45
Nominal value currency forwards	–4,923	-	-	-	–5,433	-	-	-
NET EXPOSURE AFTER FINANCIAL HEDGING WITH DERIVATIVES	6,167	412	–66	119	6,354	644	1,273	45

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 foreign exchange 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
2017	Change 25 basis points	188	10	–1	-	**197**
2017	Change 10%	617	41	–7	12	**663**
2016	Change 25 basis points	175	17	28	-	220
2016	Change 10%	635	64	127	4	830

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. Sirius invests in fixed income assets with high credit quality. The average credit rating of the fixed income portfolio at the end of 2017 was AA-. Assets sensitive to changes in credit spreads may also give rise to others risks, e.g. counterparty risk.

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 (MSEK).

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Bonds and other interest-bearing assets	14,590	20,699	4,641	6,468
- Governments	2,632	3,657	1,173	1,744
- Swedish mortgage institutions	1,118	775	890	618
- Other Swedish issuers	133	560	102	480
- Other issuers	10,707	15,707	2,475	3,626
Shares in associated Companies	142	145	10,739	10,882
Shares and participations	3,442	1,918	1,153	152
Derivatives	223	–283	223	–283
TOTAL	**18,397**	22,479	**16,756**	17,219

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 2017

Name of security	**Type of security**	**Market value (MSEK)**	**% of financial assets**
Doubleline Total Return Bond CL MF	Fund	841	4.57%
International Medical Group, Inc	Note – SIIG Group	527	2.86%
JPMorgan Chase & Co	Bond	362	1.97%
Sveriges Säkerställda Obligationer AB	Bond	323	1.75%
New Energy Capital Infrastructure Credit Fund L.P	Share	227	1.24%
STS Partners Fund	Share	209	1.14%
Adimab, LLC	Share	205	1.11%
New Energy Capital Infra Offshore	Share	155	0.84%
Länsförsäkringar Hypotek AB	Bond	144	0.78%
Schlumberger Holdings Corp	Bond	143	0.78%
TOTAL		**3,136**	**17.04%**

Note 2 – Cont.

PARENT COMPANY 2017

Name of security	Type of security	Market value (MSEK)	% of financial assets
Sirius Re Holdings Inc	Shares in Subsidiary	5,602	33.43%
S.I. Holdings (Luxembourg) S.à r.l	Shares in Subsidiary	4,833	28.84%
International Medical Group, Inc	Note – SIIG Group	527	3.15%
JPMorgan Chase & Co	Bond	362	2.16%
Sveriges Säkerställda Obligationer AB	Bond	256	1.53%
Sirius International Holdings (NL) BV	Shares in Subsidiary	150	0.89%
Be Reinsurance Ltd	Shares in Associated Company	142	0.84%
Länsförsäkringar Hypotek AB	Bond	115	0.69%
Stadshypotek AB	Bond	110	0.66%
MLSSS Ltd	Shares	89	0.53%
TOTAL		**12,186**	**72.72%**

GROUP 2016

Name of security	Type of security	Market value (MSEK)	% of financial assets
Doubleline Total Return Bond CL MF	Fund	1,053	4.63%
JPMorgan Chase & Co	Bond	354	1.55%
Swedbank Hypotek AB	Bond	243	1.07%
New Energy Capital Infrastructure Credit Fund L.P	Share	219	0.96%
Länsförsäkringar Hypotek AB	Bond	185	0.81%
New Energy Capital Infra Offshore	Share	147	0.64%
BE Reinsurance Ltd	Shares in Associated Company	145	0.60%
Sveriges Säkerställda Obligationer AB	Bond	126	0.55%
Avis Budget Rental Car Funding LLC	Bond	99	0.43%
Volvo Financial Equipment LLC	Bond	97	0.43%
TOTAL		2,668	11.67%

PARENT COMPANY 2016

Name of security	Type of security	Market value (MSEK)	% of financial assets
SI Phoenix (Luxembourg) S.à r.l	Shares in Subsidiary	5,606	32.03%
S.I. Holdings (Luxembourg) S.à r.l	Shares in Subsidiary	4,833	27.61%
JPMorgan Chase & Co	Bond	354	2.02%
Swedbank Hypotek AB	Bond	243	1.39%
Länsförsäkringar Hypotek AB	Bond	185	1.06%
Be Reinsurance Ltd	Shares in Associated Company	145	0.83%
Sveriges Säkerställda Obligationer AB	Bond	126	0.72%
Swedish Cover bond Corp	Bond	95	0.54%
MLSSS Ltd	Shares	94	0.54%
Länsförsäkringar Hypotek AB	Bond	81	0.46%
TOTAL		11,762	67.20%


AVIATION & SPACE

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, %

	2017							2016						
GROUP	AAA	AA	A	BBB	CCC	Not rated	TOTAL	AAA	AA	A	BBB	CCC	Not rated	TOTAL
Bonds and other interest-bearing securities	50	9	23	16	0	2	**100**	23	29	25	22	0	1	100
- Swedish government	100	0	0	0	0	0	**100**	100	0	0	0	0	0	100
- Swedish mortgage institutions	100	0	0	0	0	0	**100**	89	3	8	0	0	0	100
- Other Swedish institutions	7	26	22	25	0	20	**100**	94	0	0	0	0	6	100
- Foreign governments	87	13	0	0	0	0	**100**	7	65	25	0	0	3	100
- Other foreign issuers	39	9	29	20	0	3	**100**	20	20	25	32	0	3	100

EQUITY INVESTMENTS, DIVIDED BY GEOGRAPHICAL AREA, %

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Western Europe	19.52	1.69	63.95	3.77
North America	75.66	97.68	21.67	96.03
Other	4.82	0.63	14.38	0.2
Total	**100**	100	**100**	100

INTEREST-BEARING INVESTMENTS, DIVIDED BY GEOGRAPHICAL AREA, %

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Western Europe	5.11	14.01	8.86	44.57
North America	81.55	76.73	53.66	31.03
Scandinavia	12.64	9.03	34.54	23.67
Other	0.70	0.23	2.95	0.73
Total	**100**	100	**100**	100

INTEREST-BEARING INVESTMENTS, DIVIDED BY SECTOR, %

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Governments	18.72	17.77	28.52	26.96
Swedish mortgage institutions	7.95	3.76	21.63	9.56
Other Swedish issuers	0.95	2.72	2.49	7.42
Other foreign issuers	72.38	75.75	47.36	56.05
Total	**100**	100	**100**	100

Credit risk on receivables with reinsurers

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

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

The credit risk reserve for bad debts amounted, as per December 31, 2017, to MSEK 84 for the Group, whereof MSEK 31 at Sirius International (2016 MSEK 100 for the Group, MSEK 36 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
2017	Net receivables	1,421	109	–32	10	10	57	**1,575**
2016	Net receivables	948	141	49	–6	1	51	1,184

PARENT COMPANY	Due for	<1 Month	1–3 Months	4–6 Months	7–9 Months	10–12 Months	>1 Year	Total
2017	Net receivables	585	61	–40	6	7	38	**657**
2016	Net receivables	–25	43	22	0	2	35	77

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 2 (1) at December 31, 2017.

Retrocession credit risk

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

RATING – STANDARD & POOR'S OR EQUIVALENT

	2017				2016			
GROUP	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	0	0	0	0%	0	0	0	0%
AA+	335	1	334	6 %	474	0	474	12 %
AA	205	6	200	5 %	218	7	211	5 %
AA-	476	2	474	9 %	307	8	299	8 %
A+	631	42	590	11 %	643	17	626	15 %
A	190	4	186	3 %	227	1	226	6 %
A-	2,918	244	2,673	53 %	1,100	131	969	27 %
BBB+	1	1	0	0 %	35	0	35	1 %
BBB or lower	606	379	227	11 %	398	66	332	10 %
Special approval	135	125	9	2 %	697	121	576	16 %
TOTAL	**5,497**	**804**	**4,693**	**100 %**	4,099	351	3,748	100 %

	2017				2016			
PARENT COMPANY	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	0	0	0	0 %	0	0	0	0 %
AA+	0	0	0	0 %	0	0	0	0 %
AA	196	5	191	6 %	214	6	208	8 %
AA-	152	0	152	5 %	155	0	155	6 %
A+	258	4	254	7 %	315	0	315	12 %
A	150	3	147	4 %	170	0	170	6 %
A-	2,333	8	2,325	69 %	1,005	0	1,005	38 %
BBB+	1	1	0	0 %	33	0	33	1 %
BBB or lower	167	144	23	5 %	84	10	74	3 %
Special approval	130	125	5	4 %	669	121	548	25 %
TOTAL	**3,387**	**290**	**3,097**	**100 %**	2,645	137	2,508	100 %

Note 2 – Cont.

Significant credit losses can potentially arise from unusually large and infrequent events.

The table below describes the assumed liabilities from Retrocessionaires (excluding costs for reinstatements) and the distribution of credit ratings for Sirius' 2017 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

	2017				2016			
PARENT COMPANY	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AA+	0	0	0	0 %	0	0	0	0 %
AA	57	0	57	2 %	105	0	105	3 %
AA-	484	0	484	14 %	630	0	630	16 %
A+	2,093	0	2,093	61 %	2,222	0	2,222	56 %
A	206	0	206	6 %	256	0	256	6 %
A-	1,363[1)]	718	645[1)]	19 %	733	0	733	19 %
BBB+	84	62	22	1 %	81	54	27	1 %
BBB or lower	74	91	–16	0 %	77	98	–21	–1 %
Special approval	288	378	–90	–3 %	493	495	–2	0 %
TOTAL	**4,649**	**1,249**	**3,400**	**100 %**	4,597	647	3,950	100 %

[1)] Additional to above table a Quota Share reinsurance treaty exist with SBDA, for details see note 30, Associated parties.

LIQUIDITY RISK

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

The company's strategy for dealing with liquidity risk aims to match expected payments and receipts of payment (so called asset-liability management, ALM). This is accomplished through advanced liquidity analysis of financial assets and insurance liabilities. At the end of 2017 the duration of interest-bearing investment assets was 2.3 years (3.1 years at the end of 2016) and the duration of insurance liabilities was 4.9 years (4.9 years at the end of 2016). 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 2017	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities	-	688	1,401	8,342	3,628	-	**14,059**
Shares & participations in Associated Companies	-	-	-	-	-	142	**142**
Shares & participations	-	-	-	-	-	3,442	**3,442**
Cash & bank balances	3,070	-	-	-	-	-	**3,070**
Receivables, direct insurance	-	395	-	-	-	89	**484**
Receivables, reinsurance	-	1,038	2,852	51	-	-	**3,941**
Other debtors	-	87	19	46	-	23	**175**
Prepayments and accrued income	-	9	89	1	-	-	**99**
TOTAL	**3,070**	**2,217**	**4,361**	**8,440**	**3,628**	**3,696**	**25,412**

GROUP 2016	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities	-	521	2,109	10,371	7,698	-	20,699
Shares & participations in Associated Companies	-	-	-	-	-	145	145
Shares & participations	-	-	-	-	-	1,918	1,918
Cash & bank balances	2,764	-	-	-	-	-	2,764
Receivables, direct insurance	-	113	-	0	-	123	236
Receivables, reinsurance	-	912	2,533	51	-	28	3,524
Other debtors	-	-	27	45	-	21	93
Prepayments and accrued income	-	9	145	1	-	-	155
TOTAL	2,764	1,555	4,814	10,468	7,698	2,235	29,742

PARENT COMPANY 2017	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities	-	167	143	3,143	661	-	**4,114**
Shares & participations in Group companies	-	-	-	-	-	10,739	**10,739**
Shares & participations	-	-	-	-	-	1,153	**1,153**
Cash & bank balances	1,386	-	-	-	-	-	**1,386**
Receivables, direct insurance	-	-	-	-	-	86	**86**
Receivables, reinsurance	-	551	3,015	32	-	-	**3,598**
Other debtors	-	-	4	76	-	864	**944**
Prepayments and accrued income	-	9	47	1	-	-	**57**
TOTAL	**1,386**	**718**	**3,209**	**3,252**	**661**	**12,842**	**22,077**

PARENT COMPANY 2016	On demand	<3 months	3 months–1 year	1–5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities		18	530	3,716	2,204	-	6,468
Shares & participations in Group companies	-	-	-	-	-	10,882	10,882
Shares & participations	-	-	-	-	-	152	152
Cash & bank balances	1,420	-	-	-	-	-	1,420
Receivables, direct insurance	-	-	-	-	-	63	63
Receivables, reinsurance	-	18	2,094	35	-	28	2,175
Other debtors	-	-	3	41	-	444	488
Prepayments and accrued income	-	9	76	1	-	-	86
TOTAL	1,420	45	2,703	3,793	2,204	11,569	21,734

Note 2 – Cont.

LIQUIDITY PROFILE — FINANCIAL DEBTS (CONTRACTUAL OUTFLOWS)

GROUP 2017	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	-	-	278	-	-	20	**298**
Payables, reinsurance	-	-	1,409	-	-	351	**1,760**
Other creditors	-	177	540	-	-	0	**717**
Accrued expenses and deferred income	-	-	137	41	-	9	**187**
TOTAL	**-**	**177**	**2,364**	**41**	**-**	**379**	**2,962**

GROUP 2017	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	-	-	98	-	-	37	135
Payables, reinsurance	-	-	817	-	-	258	1,076
Other creditors	-	-	253	-	-	-	253
Accrued expenses and deferred income	-	-	352	53	-	27	432
TOTAL	-	-	1,521	53	-	322	1,896

PARENT COMPANY 2017	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	-	-	-	-	-	1	**1**
Payables, reinsurance	-	-	1,215	-	-	351	**1,566**
Other creditors	-	-	126	-	-	780	**906**
Accrued expenses and deferred income	-	-	108	16	-	8	**132**
TOTAL	**-**	**-**	**1,450**	**16**	**-**	**1,140**	**2,606**

PARENT COMPANY 2016	On demand	<3 months	3 months– 1 year	1–5 years	>5 years	No duration	TOTAL
Payables, direct insurance	-	-	-	-	-	0	0
Payables, reinsurance	-	-	556	-	-	258	814
Other creditors	-	-	143	-	0	36	179
Accrued expenses and deferred income	-	-	243	24	-	27	294
TOTAL	-	-	942	24	0	322	1,287

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
2017	986	2,678	4,613	3,463	**11,740**	628	1,639	2,822	1,126	**6,215**
2016	905	2,790	4,607	4,171	12,473	381	1,198	1,973	1,524	5,076

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 risks, HR risks, model risks, and Information Security risks (e.g. data privacy and system protection). Operational risk excludes risks arising from strategic decisions. While reputational risk is commonly considered to be a potential outcome of operational failure, Sirius treats reputational risk as a separate risk class in its risk register".

Operational risk is actively managed throughout Sirius, its branches and subsidiaries. The ownership of operational risks lies with all employees. The work is conducted through a self-assessment process where all employees within Sirius are responsible for the risk identification and shall contribute to a well-functioning process for operational risk management. The organization reports on a continuous basis identified operational risks to the operationally independent Risk Management Function. The Risk Management Function 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.

Sirius always aims at reducing the operational risks to acceptable levels. The company's tolerance for operational risk is Low.

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. The business organization is also responsible for managing compliance risks and for reporting of compliance risks to the operationally independent 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. Compliance coordinators are appointed in subsidiaries and branches to support the Chief Compliance Officer and to take specific account of any applicable local regulatory requirements.

SUPERVISION AND SOLVENCY II

Sirius is subject to regulation and supervision by the Swedish Financial Supervisory Authority (the ''SFSA''). As Sweden is a member of the EU, the SFSA supervision of Sirius branches is recognized across all locations within the EU (apart from customer conduct that is regulated and supervised locally across the EU). Regulatory requirements are based on the European Solvency II legislation. The SFSA and the Bermuda Monetary Authority perform group supervision over Sirius at EU and global level respectively.

SOLVENCY AND CAPITAL REQUIREMENTS

As of January 1, 2016 Sirius's regulatory Solvency Capital Requirement (SCR) is based on Solvency II regulation. Sirius uses the Solvency II standard formula to calculate the SCR. Details about capitalization is found in the Board of directors' report.

Sirius also uses an internal Economic Risk Capital (ERC) model for a number of key strategic and management decision processes. The practical applications of the internal ERC model include the following:

- Assess the amount of capital necessary to support the underwriting and invest ment 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

Sirius manages risk and capital levels to maintain a Standard & Poor's (S&P) and A.M. Best "A" grade or better insurance financial strength profile over the insurance cycle, as this allows Sirius to write targeted reinsurance business.

FINANCIAL STRENGTH RATING

The financial strength of Sirius has during 2017 been rated by Standard & Poor's and A. M. Best.

	2017		2016	
GROUP AND PARENT COMPANY	S&P[1]	A.M. Best[2]	S&P[1]	A.M. Best[2]
Financial Strength Rating	A-	A	A-	A
Outlook	Stable	Negative	Stable	Negative

[1] "A-" is the seventh highest of twenty-one financial strength ratings assigned by Standard & Poor's.
[2] "A" is the third highest of fifteen financial strength ratings assigned by A.M. Best.

Note 3 – Premium income

PREMIUM INCOME, GEOGRAPHICAL ALLOCATION

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Direct insurance, Sweden	9	4	9	4
Direct insurance, other EES	305	327	89	82
Direct insurance, other countries	3,562	3,016	1,256	1,186
Premiums for assumed reinsurance	7,177	7,459	7,003	5,523
Premium income before ceded reinsurance	**11,053**	10,806	**8,357**	6,795
Premium for ceded reinsurance	–5,031	–3,660	–3,833	–2,868
PREMIUM INCOME AFTER CEDED REINSURANCE	**6,022**	7,146	**4,524**	3,927

Note 4 – Claims incurred, for own account

CLAIMS INCURRED FOR THE YEAR'S OPERATIONS

	2017			2016		
GROUP	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	–824	488	–336	–1,037	443	–594
Loss portfolios	378	0	378	60	0	60
Change in provision for incurred and reported claims	–1,894	745	–1,149	–1,301	413	–888
Change in provision for incurred but not reported claims (IBNR)	–2,105	866	–1,239	–1,828	573	–1,255
Claims handling expenses	–188	0	–188	–206	0	–206
TOTAL CLAIMS INCURRED FOR THE YEAR'S OPERATIONS	**–4,633**	**2,099**	**–2,534**	–4,312	1,429	–2,883

CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS

	2017			2016		
GROUP	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	–5,688	1,322	–4,366	–4,712	920	–3,792
Loss portfolios	–87	148	61	–51	0	–51
Change in provision for incurred and reported claims	1,352	–324	1,028	857	–226	631
Change in provision for incurred but not reported claims (IBNR)	1,481	–301	1,180	2,401	–550	1,851
TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS	**–2,942**	**845**	**–2,097**	–1,505	144	–1,361
TOTAL CLAIMS INCURRED	**–7,575**	**2,944**	**–4,631**	–5,817	1,573	–4,244

TOTAL CLAIMS PAID

	2017			2016		
GROUP	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	–6,512	1,810	–4,702	–5,749	1,363	–4,386
Loss portfolios	291	148	439	9	0	9
Claims handling expenses	–188	0	–188	–206	0	–206
TOTAL CLAIMS PAID	**–6,409**	**1,958**	**–4,451**	–5,946	1,363	–4,583

Note 4 – Cont.

CHANGE IN PROVISION FOR OUTSTANDING CLAIMS

	2017			2016		
GROUP	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	–542	421	–121	–444	187	–257
Change in provision for incurred but not reported claims (IBNR)	–624	565	–59	573	23	596
TOTAL CHANGE IN PROVISIONS FOR OUTSTANDING CLAIMS	**–1,166**	**986**	**–180**	129	210	339

CLAIMS INCURRED FOR THE YEAR'S OPERATIONS

	2016			2015		
PARENT COMPANY	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-575	395	–180	–462	198	–264
Loss portfolios	377	0	377	60	0	60
Change in provision for incurred and reported claims	–1,515	722	–793	–843	286	–557
Change in provision for incurred but not reported claims (IBNR)	–1,571	608	–963	–844	219	–625
Claims handling expenses	–118	0	–118	-120	0	–120
TOTAL CLAIMS FOR THE YEAR'S OPERATIONS	**–3,402**	**1,725**	**–1,677**	–2,209	703	–1,506

CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS

	2017			2016		
PARENT COMPANY	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	–2,802	761	–2,040	–2,194	647	–1,547
Loss portfolios	–87	148	61	–52	1	–51
Change in provision for incurred and reported claims	838	–383	455	654	–205	449
Change in provision for incurred but not reported claims (IBNR)	466	–271	195	1 116	–247	869
TOTAL CLAIMS INCURRED FOR PREVIOUS YEAR'S OPERATIONS	**–1,584**	**255**	**–1,330**	–476	196	–280
TOTAL CLAIMS INCURRED	**–4,987**	**1,980**	**–3,007**	–2,685	899	–1,786

TOTAL CLAIMS PAID

	2017			2016		
PARENT COMPANY	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	–3,376	1,156	–2,220	–2,656	845	–1,811
Loss portfolios	290	148	438	8	1	9
Claims handling expenses	–118	0	–118	–120	0	–120
TOTAL CLAIMS PAID	**–3,204**	**1,304**	**–1,900**	–2,768	846	–1,922

CHANGE IN PROVISION FOR OUTSTANDING CLAIMS

	2017			2016		
PARENT COMPANY	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	–677	339	–338	–189	81	–108
Change in provision for incurred but not reported claims (IBNR)	–1,106	337	–769	272	–28	244
TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS	**–1,783**	**676**	**–1,107**	83	53	136

Note 5 – Operating costs

SPECIFICATION OF INCOME STATEMENT ITEM OPERATING COSTS

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Acquisition costs	–2,632	–2,580	–2,150	–1,653
Change in prepaid acquisition costs (+/–)	–74	–26	2	95
Administrative expenses	–817	–909	–388	–509
Provisions and profit shares in ceded reinsurance (–)	1,463	949	1,161	762
TOTAL OPERATING COSTS	**–2,060**	–2,566	**–1,375**	–1,305

OTHER OPERATING COSTS

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Operating costs	–2,060	–2,566	–1,375	–1,305
Claims handling expenses included in claims paid	–188	–206	–118	–120
Asset management costs included in Investment expenses	–69	–84	–40	–40
Expenses for land and buildings included in Investment expenses, net	–2	–1	–2	–1
Other operating costs	–351	–362	–63	–192
TOTAL OTHER OPERATING COSTS	**–2,670**	–3,219	**–1,598**	–1,658

TOTAL OPERATING COSTS PER TYPE

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Direct and indirect personnel costs	–804	–1,050	–420	–678
Premises costs	–83	–81	–41	–54
Depreciation/amortization	–69	–59	–58	–55
Other expenses related to operations	–1,714	–2,029	–1,079	–871
TOTAL OTHER OPERATING COSTS	**–2,670**	–3,219	**–1,598**	–1,658

Note 6 – Investment income

	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
Dividend income from:				
Foreign shares and participations	58	36	123	3,631
Interest income				
Bonds and other interest-bearing securities	313	384	67	101
Other interest income	336	35	63	18
— of which from financial assets not valued at fair value with changes in value reported in the income statement	-	-	-	-
Capital gains on foreign exchange, net	-	405	-	202
Capital gains and reversed write-downs (net)				
Foreign shares	20	789	11	3
Group and associated companies	290	-	-	-
Interest-bearing securities	-	112	20	88
Derivatives	-	-	-	-
TOTAL RETURN ON CAPITAL, INCOME	**1,017**	1,795	**285**	4,238

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

Note 7 – Unrealized gains and losses on investments

	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
Foreign shares and participations	138	–765	117	5
Bonds and other interest-bearing securities	-	–68	-	-
Derivative financial instruments	510	456	510	456
Gain on Currency	–731	–185	–250	–210
TOTAL UNREALIZED GAINS AND LOSSES ON INVESTMENTS	**–83**	–562	**377**	251

Note 8 – Investment expenses and charges

	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
Operating expenses for land and buildings	–2	–2	–2	–1
Asset management costs	–69	–84	–40	–40
Interest expenses				
Other interest expenses	–4	–1	–4	–6
Capital losses on foreign exchange, net	–101	-	–143	-
Capital losses				
Foreign shares and participations	-	-	-	-
Sales and liquidation of Group and associated companies	–22	-	-	-
Other interest-bearing assets	–41	-	-	-
Impairment of shares in subsidiaries	-	-	-	–98
Derivative Financial Instruments	–133	–793	–133	–793
Impairment of investment assets	-	-	–139	-
TOTAL	**–372**	–880	**–461**	–938

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

FINANCIAL ASSETS

GROUP 2017	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	194	-	-	-	**194**
Derivative financial instruments	-	377	-	-	**377**
Bonds and other interest-bearing securities	458	-	158	257	**873**
Deposits with cedants	-	-	-	19	**19**
Cash and bank balance	-	-	-	15	**15**
TOTAL	**652**	**377**	**158**	**291**	**1,478**

PARENT COMPANY 2017	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	252	-	-	-	**252**
Derivative financial instruments	-	377	-	-	**377**
Bonds and other interest-bearing securities	-	-	133	-	**133**
Deposits with cedants	-	-	-	14	**14**
Cash and bank balance	-	-	-	20	**20**
TOTAL	**252**	**377**	**133**	**34**	**796**

GROUP 2016	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	94	-	-	-	94
Derivative financial instruments	-	–337	-	-	–337
Bonds and other interest-bearing securities	197	-	220	-	417
Deposits with cedants	-	-	-	12	12
Cash and bank balance	-	-	-	13	13
TOTAL	**291**	**–337**	**220**	**25**	**199**

PARENT COMPANY 2016	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	3,834	-	-	-	3,834
Derivative financial instruments	-	–337	-	-	–337
Bonds and other interest-bearing securities	-	-	182	-	182
Deposits with cedants	-	-	-	7	7
Cash and bank balance	-	-	-	8	8
TOTAL	**3,834**	**–337**	**182**	**15**	**3,694**

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 -309 (181) for the Group, of which -460 (-49) refer to exchange rate gains/losses on financial assets. Exchange rate gains/losses on liabilities and other assets amount to -151 (-132).

Note 10 – Taxes

INCOME TAX RECOGNIZED IN INCOME STATEMENT

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Current tax expense (–) [/revenue (+)]				
Current tax expenses	–37	–75	–17	–54
Current tax adjustment attributable to previous years	31	–5	26	–4
Deferred tax expense (-) [/revenue (+)]				
Deferred taxes	–280	147	–13	7
TOTAL TAX EXPENSE (–)/REVENUE (+)	**–286**	67	**–4**	–51

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	
	2017	2016	2017	2016
Tax according to applicable tax rate for the Parent Company	–22.0%	–22.0%	–22.0%	–22.0%
Effects of foreign tax rates	–1.0%	–4.8%	-	-
Effects from change in tax rates	–60.5%	–52%	-	-
Tax effect from non-deductible expenses	–10.3%	–8.8%	–27.5%	–0.8%
Tax effect from non-taxable income	2.7%	15.3%	22.8%	21.6%
Current tax regarding previous years	9.1%	1.1%	19.6%	-0.1%
Recognition of tax loss carry-forwards related to previous years and timing differences	–35.8%	90.1%	3.9%	-
REPORTED EFFECTIVE TAX	**–73.8%**	18.9%	**–3.2%**	–1.3%

REPORTED DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
GROUP	2017	2016	2017	2016	2017	2016
Personnel-related provisions	35	71	-	-	35	71
Timing difference on recognition of underwriting result	75	186	-	-	75	186
Other provisions	41	112	–27	–42	14	70
Surplus value of securities	-	7	–85	–55	–85	–48
Safety reserve and accelerated depreciation	-	-	–2,366	–2,367	–2,366	–2,367
Tax loss carry-forwards	1,839	1,934	-	-	1,839	1,934
DEFERRED TAX BALANCES	**1,990**	2,310	**–2,478**	–2,464	**–488**	–154
Netting of deferred assets/liabilities	–131	–129	131	129	-	-
DEFERRED TAX BALANCES, NET	**1,859**	2,181	**–2,347**	–2,335	**–488**	–154

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.

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
PARENT COMPANY	2017	2016	2017	2016	2017	2016
Personnel-related provisions	31	43	-	-	31	43
Other provisions	3	4	-	-	3	4
DEFERRED TAX BALANCES	**34**	47	**-**	-	**34**	47

Note 10 – Cont.

UNRECOGNIZED DEFERRED TAX ASSETS

The Group has unrecognized deferred tax assets related to tax loss carry-forwards 479 (360).

CHANGES IN DEFERRED TAX

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Opening balance	–154	–386	47	40
Recognized in income statement	–280	147	–13	7
Recognized in other comprehensive income	–10	55	-	-
Tax loss carry-forwards	–44	30	-	-
CLOSING BALANCE	**–488**	–154	**34**	47

Taxes recognized in other comprehensive income partially refer to available-for-sale financial assets 2 (7).

Note 11 – Intangible assets

	GROUP				PARENT COMPANY		
	Intangible assets –IT Capitalized expenditure for development work	Acquired intangible assets – Goodwill	Other acquired intangible assets	TOTAL	Intangible assets –IT Capitalized expenditure for development work	Acquired intangible assets – Goodwill	TOTAL
Accumulated acquisition value							
Opening balance January 1, 2016	279	87	88	454	279	87	366
Acquisition for the year	18	-	-	18	18	-	18
Disposal for the year	-	-	–46	–46	-	-	-
Currency revaluation effects	-	-	3	3	-	-	-
CLOSING BALANCE DECEMBER 31, 2016	297	87	45	429	297	87	384
Opening balance January 1, 2017	297	87	45	**429**	297	87	**384**
Acquisition for the year	11	1,048	696	**1,755**	11	-	**11**
Disposal for the year	–2	-	-	**–2**	–2	-	**–2**
Currency revaluation effect	-	–41	–32	**–73**	-	-	**-**
CLOSING BALANCE DECEMBER 31, 2017	**306**	**1,094**	**710**	**2,110**	**306**	**87**	**393**
Accumulated amortization and impairment							
Opening balance January 1, 2016	–203	–61	–2	–266	–203	–70	–273
Depreciation for the year	–26	-	-	–26	–26	–4	–30
Impairment for the year	-	-	2	2	-	-	-
CLOSING BALANCE DECEMBER 31, 2016	–229	–61	0	–290	–229	–74	–303
Opening balance January 1, 2017	–229	–61	0	**–290**	–229	–74	**–303**
Depreciation for the year	–29		–34	**–63**	–29	–4	**–33**
Impairment for the year	2	-	-	**2**	2	-	**2**
Currency revaluation effect	-	-	1	**1**	-	-	**-**
CLOSING BALANCE DECEMBER 31, 2017	**–256**	**–61**	**–33**	**–350**	**–256**	**–78**	**–334**
Carrying amount							
Per January 1, 2016	76	26	86	188	76	17	93
PER DECEMBER 31, 2016	68	26	45	139	68	13	81
Per January 1, 2017	68	26	45	**139**	68	13	**81**
PER DECEMBER 31, 2017	**50**	**1,033**	**677**	**1,760**	**50**	**9**	**59**

Note 11 – Cont.

	GROUP				PARENT COMPANY		
	Intangible assets — IT Capitalized expenditure for development work	Acquired intangible assets – Goodwill	Other acquired intangible assets	Total	Intangible assets –IT Capitalized expenditure for development work	Acquired intangible assets – Goodwill	Total
Amortization and impairmaent for the year is included in the following rows in the income statement for 2016:							
Operating costs	–26	-	-	–26	–26	-	–26
Other costs	-	-	-	-	-	–4	–4
TOTAL	–26	-	-	–26	–26	–4	–30
Amortization for the year is included in the following rows of the income statement for 2017:							
Operating costs	–29	-	–34	–63	–29	-	–29
Other costs	-	-	-	-	-	–4	–4
TOTAL	**–29**	**-**	**–34**	**–63**	**–29**	**–4**	**–33**

The Group and Parent Company goodwill derive from the acquired operation in Belgium, which is an identifiable cash generating unit and since 2017 also goodwill from the acquisition of Armada. 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.

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

Other intangible assets does mainly consist of balances from the acquired Armada business.The assets from Armada is divided into the following subject assets;

1. Armada has good relationships with existing distributuin partners ("Distribution partners")
2. Internally developed, proprietary software, systems, platforms, etc. ("Technology")
3. Trademarks that is well recognized on the market will help generate a stable demand in the company's services. ("Trademarks")

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

Note 12 – Land and buildings

GROUP AND PARENT COMPANY

Accumulated acquisition cost	
Opening balance January 1, 2016	32
Acquisitions	1
CLOSING BALANCE DECEMBER 31, 2016	33
Opening balance January 1, 2017	33
Acquisitions	1
CLOSING BALANCE DECEMBER 31, 2017	**34**
Accumulated depreciation	
Opening balance January 1, 2016	–21
Depreciation for the year	–2
CLOSING BALANCE DECEMBER 31, 2016	–23
Opening balance January 1, 2017	–23
Depreciation for the year	–2
CLOSING BALANCE DECEMBER 31, 2017	**–25**
Carrying amount	
Per January 1, 2016	11
PER DECEMBER 31, 2016	10
Per January 1, 2017	10
PER DECEMBER 31, 2017	**9**

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, % 2017	2016
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
Sirius Re Holdings Inc	Dealware, USA	100	-
SI Phoenix (Luxembourg) S.à r.l	Luxembourg	-	100
Sirius International Corporate Member Ltd	London, Great Britain	100	100
White Sands Holdings (Luxembourg) S.à r.l.	Luxembourg	100	100

	PARENT COMPANY 2017	2016
Accumulated acquisition cost		
Beginning of year	12,147	11,348
Capital contributions	-	1,710
Repayment of paid-up capital	–4	–889
Companies dissolved	-	–22
End of year	12,143	12,147
Accumulated impairments		
Beginning of year	–1,387	–1,317
Impairments	–139	–92
Companies dissolved	-	22
End of year	–1,526	–1,387
CARRYING AMOUNT DECEMBER 31	**10,617**	10,760

Note 13 – Cont.

SUBSIDIARIES' SHAREHOLDERS' EQUITY

2017	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
Name of subsidiary					
Sirius Rückversicherungs Service GmbH	24	100	Share capital total €51,129 consisting of 1 share with nom. value €51,129	0	10
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.	150	100	Share capital total €18,000 consisting of 180 shares with nom. value €100 per share	150	–69
S.I. Holdings (Luxembourg) S.à r.l.	4,405	100	Share capital total SEK 105,693,172 consisting of 105,693,172 shares with nom. value SEK1 per share	4,833	–197
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.	–295	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	–191
Sirius Re Holdings Inc	5,057	100	500 outstanding shares without nom. value	5,602	–377
White Sands Holdings (Luxembourg) S.à r.l.	–0	100	Share capital total SEK 145,055 consisting of 145,055 shares with nom. value SEK1 per share	15	–0
TOTAL	**9,362**			**10,617**	**–823**

2016	Shareholders' equity	Shares, %	Number of shares	Book value	Profit/loss
Name of subsidiary					
Sirius Rückversicherungs Service GmbH	15	100	Share capital total €51,129 consisting of 1 share with nom. value €51,129	0	3
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.	362	100	Share capital total €18,000 consisting of 180 shares with nom. value €100 per share	289	–47
S.I. Holdings (Luxembourg) S.à r.l.	5,633	100	Share capital total SEK 105,693,172 consisting of 105,693,172 shares with nom. value SEK1	4,833	391
Sirius International Managing Agency Ltd.	8	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	4	0
Sirius International Corporate Member Ltd.	149	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	–45
SI Phoenix (Luxembourg) S.à r.l.	5,810	100	Share capital total $42,266,200 consisting of 1,690,648 shares with nom. value $25 per share	5,606	8
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
TOTAL	12,006			10,760	310

Note 14 – Shares and participations in associated companies

NAME OF ASSOCIATED COMPANIES	REGISTERED OFFICES	NUMBER OF SHARES	PARTICIPATING INTEREST, %[1] 2017	2016
BE Reinsurance Ltd	Hong Kong	125,000,000	25	25

[1] Voting share and participating interest are equal.

CHANGE DURING THE YEAR

	GROUP 2017	2016	PARENT COMPANY 2017	2016
Beginning of the year	145	127	122	122
Share of associated companies' result	10	8	-	-
Translation difference on foreign associated companies	–13	10	-	-
CARRYING AMOUNT DECEMBER 31	**142**	145	**122**	122

Note 15 – Investments in shares and participations

	GROUP 2017	2016	PARENT COMPANY 2017	2016
Fair value	3,442	1,918	1,153	152
Acquisition cost	3,507	1,981	1,113	203

For further information regarding financial instruments, see Note 19.

Note 16 – Bonds and other interest-bearing securities

GROUP	FAIR VALUE 2017	2016	ACQUISITION COST 2017	2016
Swedish government	524	524	527	538
Swedish mortgage institutions	1,118	775	1,119	779
Other Swedish issuers	133	560	133	561
Foreign governments	2,108	3,133	2,105	3,116
Other foreign issuers	10,176	15,589	10,276	15,497
TOTAL	**14,059**	20,581	**14,160**	20,491
Of which listed	14,059	20,581	14,160	20,491
Difference compared to nominal value				
Total excess amount	245	423	280	458
Total shortfall	34	62	8	275

PARENT COMPANY	FAIR VALUE 2017	2016	ACQUISITION COST 2017	2016
Swedish government	423	432	427	444
Swedish mortgage institutions	890	619	891	622
Other Swedish issuers	103	480	102	481
Foreign governments	750	1,312	752	1,280
Other foreign issuers	1,948	3,625	1,927	3,448
TOTAL	**4,114**	6,468	**4,099**	6,275
Of which listed	4,114	6,468	4,099	6,275
Difference compared to nominal value				
Total excess amount	139	373	120	384
Total shortfall	9	13	11	69

Note 17 – Derivative financial instruments

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Currency derivatives, Sirius Bermuda Insurance Company Ltd.	211	–336	211	–336
Other derivatives, Endurance	6	-	6	-
Endurance Speciality Insurance Ltd.	5	53	5	53
TOTAL	**222**	–283	**222**	–283

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 on February 17 2016 entered into an internal currency hedging agreement with SBDA. The agreement means that Sirius International has sold MUSD 200 on a forward basis to SBDA, with a term of approximately two years at the agreed exchange rate 8.3099. Through foreign exchange options, the currency forward transactions are settled on the basis of an exchange rate cap of 14.177 SEK/USD and an exchange rate floor of 6.0759 SEK/USD. The company has on February 17 2016 sold MUSD 200 on a forward basis to SBDA, with a term of approximately three years at the exchange rate 8.2376. Through foreign exchange options, the currency forward transactions are settled on the basis of an exchange rate cap of 14.177 SEK/USD and an exchange rate floor of 6.0759 SEK/USD. The company has on March 1 2017 sold MUSD 200 on a forward basis to SBDA, with a term of approximately four years at the exchange rate 8.5515. Through foreign exchange rate options, the currency forward transactions are settled on the basis of an exchange rate cap of 15.0828 SEK/USD and an exchange rate floor of 6.4641 SEK/USD. Outside these ranges, the company takes no hedging measures.

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

Note 18 – Other debtors

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Other debtors, group companies[1]	23	21	864	444
Other debtors	152	72	80	44
TOTAL[2]	**175**	93	**944**	488

[1] Group companies are defined as companies within the China Minsheng Group.
[2] 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 2017	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	532	-	-	532	532	532
Shares and participations[2]	-	3,442	-	3,442	3,442	3,507
Derivative financial instruments[1]	-	222	-	222	222	-
Bonds and other interest-bearing securities	-	8,035	6,024	14,059	14,059	14,160
Cash and bank balances	-	3,070	-	3,070	3,070	3,070
Accrued income	11	39	49	99	99	99
Other debtors	175	-	-	175	175	175
TOTAL	**718**	**14,808**	**6,073**	**21,599**	**21,599**	**21,543**

GROUP 2016	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	118	-	-	118	118	118
Shares and participations	-	1,918	-	1,918	1,918	1,996
Derivative financial instruments[1]	-	53	-	53	53	-
Bonds and other interest-bearing securities	-	10,700	9,881	20,581	20,581	20,491
Cash and bank balances	-	2,764	-	2,764	2,764	2,764
Accrued income	19	53	83	155	155	155
Other debtors	93	-	-	93	93	93
TOTAL	230	15,488	9,964	25,682	25,682	25,617

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

PARENT COMPANY 2017	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	527	-	-	527	527	527
Shares and participations	-	1,153	-	1,153	1,153	1,113
Derivative financial instruments[1]	-	222	-	222	222	-
Bonds and other interest-bearing securities	-	-	4,114	4,114	4,114	4,099
Cash and bank balances	-	1,386	-	1,386	1,386	1,386
Accrued income	11	-	46	57	57	57
Other debtors	944	-	-	944	944	944
TOTAL	**1,482**	**2,761**	**4,160**	**8,403**	**8,403**	**8,141**

PARENT COMPANY 2016	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	-	152	-	152	152	202
Derivative financial instruments[1]	-	53	-	53	53	-
Bonds and other interest bearing securities	-	-	6,468	6,468	6,468	6,276
Cash and bank balances	-	1,420	-	1,420	1,420	1,420
Accrued income	18	-	68	86	86	86
Other debtors	488	-	-	488	488	488
TOTAL	506	1,625	6,536	8,667	8,667	8,472

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

[2] Financial assets valued at fair value, have for shares been categorized through identification while bonds and other interest-bearing securities are classified based on trading.

Note 19 – Cont.

FINANCIAL LIABILITIES

GROUP	2017 Other financial liabilities	2017 Financial liabilities valued at fair value via the income statement	2017 Carrying amount	2017 Fair value	2016 Other financial liabilities	2016 Financial liabilities valued at fair value via the income statement	2016 Carrying amount	2016 Fair value
Other liabilities	1,241	-	1,241	1,241	254	-	254	254
Accrued expenses	80	-	80	80	66	-	66	66
Derivative financial instruments	-	-	-	-	-	336	336	336
TOTAL	**1,321**	**-**	**1,321**	**1,321**	320	336	656	656

PARENT COMPANY	2017 Other financial liabilities	2017 Financial liabilities valued at fair value via the income statement	2017 Carrying amount	2017 Fair value	2016 Other financial liabilities	2016 Financial liabilities valued at fair value via the income statement	2016 Carrying amount	2016 Fair value
Other liabilities	906	-	906	906	179	-	179	179
Accrued expenses	77	-	77	77	61	-	61	61
Derivative financial instruments	-	-	-	-	-	336	336	336
TOTAL	**983**	**-**	**983**	**983**	240	336	576	576

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

GROUP 2017	Level 1	Level 2	Level 3	TOTAL
Shares and participations	1,845	15	1,582	**3,442**
Derivative financial instruments	-	-	223	**223**
Bonds and other interest-bearing securities	2,603	11,456	-	**14,059**
TOTAL	**4,448**	**11,471**	**1,805**	**17,724**

GROUP 2016	Level 1	Level 2	Level 3	TOTAL
Shares and participations	988	16	914	1,918
Derivative financial instruments	-	-	–283	–283
Bonds and other interest-bearing securities	2,933	17,648	-	20,581
TOTAL	3,921	17,664	631	22,216

PARENT COMPANY 2017	Level 1	Level 2	Level 3	TOTAL
Shares and participations	1,001	15	137	**1,153**
Derivative financial instruments	-	-	223	**223**
Bonds and other interest-bearing securities	1,173	2,941	-	**4,114**
TOTAL	**2,174**	**2,956**	**360**	**5,490**

PARENT COMPANY 2016	Level 1	Level 2	Level 3	TOTAL
Shares and participations	5	16	131	152
Derivative financial instruments	-	-	–283	–283
Bonds and other interest-bearing securities	707	5,761	-	6,468
TOTAL	712	5,777	–152	6,337

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.

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

GROUP 2017	Shares and participations	Derivatives	Bonds	Total
Level 2				
Opening balance January 1, 2017	16	-	17,648	**17,664**
Total reported profit/loss: — reported in profit/loss for the year[1]	–1	-	–385	**–386**
Acquisition cost, purchase	-	-	5,450	**5,450**
Proceeds of sale, sales	-	-	–9,994	**–9,994**
Transfer from Level 2	-	-	–396	**–396**
Transfer into Level 2	-	-	-	**-**
Currency revaluation effect	-	-	–867	**–867**
CLOSING BALANCE DECEMBER 31, 2017	**15**	**-**	**11,456**	**11,471**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2017[1]	–1	-	–385	-386

PARENT COMPANY 2017	Shares and participations	Derivatives	Bonds	Total
Level 2				
Opening balance January 1, 2017	16	-	5,761	**5,777**
Total reported profit/loss: — reported in profit/loss for the year[1]	–1	-	–163	**–164**
Acquisition cost, purchase	-	-	2,189	**2,189**
Proceeds of sale, sales	-	-	–4,367	**–4,367**
Transfer from Level 2	-	-	–479	**–479**
Transfer into Level 2	-	-	-	**-**
CLOSING BALANCE DECEMBER 31, 2017	**15**	**-**	**2,941**	**2,956**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2017[1]	–1	-	–163	-164

GROUP 2017	Shares and participations	Derivatives	Bonds	Total
Level 3				
Opening balance January 1, 2017	914	–283	-	**631**
Total reported profit/loss: — reported in profit/loss for the year[1]	–33	510	-	**477**
Acquisition cost, purchase	1,219	129	-	**1,348**
Proceeds of sale, sales	–376	–133	-	**–509**
Transfer from Level 3	–74	-	-	**–74**
Transfer into Level 3	-	-	-	**-**
Currency revaluation effect	–68	-	-	**–68**
CLOSING BALANCE DECEMBER 31, 2017	**1,582**	**223**	**-**	**1,805**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2017[1]	–33	510	-	477

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

Note 19 – Cont.

PARENT COMPANY 2017	Shares and participations	Derivatives	Bonds	Total
Level 3				
Opening balance January 1, 2017	131	–283	-	**–152**
Total reported profit/loss: — reported in profit/loss for the year[1]	-	510	-	**510**
Acquisition cost, purchase	19	129	-	**148**
Proceeds of sale, sales	–14	–133	-	**–147**
Transfer from Level 3	1	-	-	**1**
Transfer into Level 3	-	-	-	**-**
CLOSING BALANCE DECEMBER 31, 2017	**137**	**223**	**-**	**360**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2017[1]	-	510	-	510

GROUP 2016	Shares and participations	Derivatives	Bonds	Total
Level 2				
Opening balance January 1, 2016	12	-	15,705	15,717
Total reported profit/loss: — reported in profit/loss for the year[1]	4	-	536	540
Acquisition cost, purchase	-	-	18,527	18,527
Proceeds of sale, sales	-	-	–16,810	–16,810
Transfer from Level 2	-	-	–20	–20
Transfer into Level 2	-	-	58	58
Currency revaluation effect	-	-	–348	–348
CLOSING BALANCE DECEMBER 31, 2016	16	-	17,648	17,664
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2016[1]	4	-	536	540

PARENT COMPANY 2016	Shares and participations	Derivatives	Bonds	Total
Level 2				
Opening balance January 1, 2016	12	-	4,734	4,746
Total reported profit/loss: — reported in profit/loss for the year[1]	4	-	–554	–550
Acquisition cost, purchase	-	-	9,232	9,232
Proceeds of sale, sales	-	-	–7,667	- 7,667
Transfer from Level 2	-	-	–20	–20
Transfer into Level 2	-	-	36	36
CLOSING BALANCE DECEMBER 31, 2016	16	-	5,761	5,777
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2016[1]	4	-	–554	–550

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

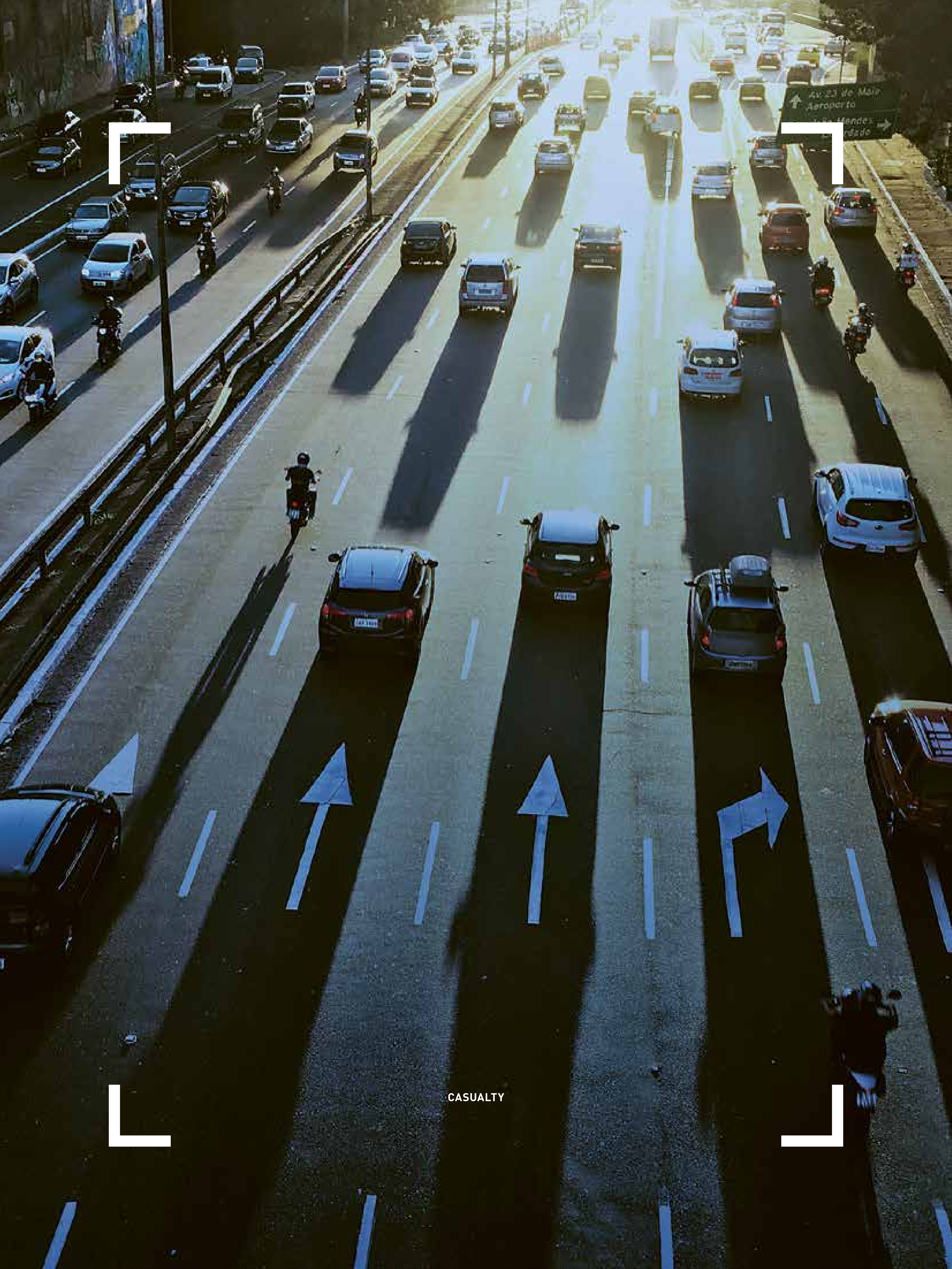
Note 19 – Cont.

GROUP **2016**	Shares and participations	Derivatives	Bonds	Total
Level 3				
Opening balance January 1, 2016	551	–734	-	–183
Total reported profit/loss: — reported in profit/loss for the year[1]	19	–337	-	–318
Acquisition cost, purchase	585	–5	-	580
Proceeds of sale, sales	–252	793	-	541
Transfer from Level 3	–19	-	-	–19
Transfer into Level 3	-	-	-	-
Currency revaluation effect	30	-	-	30
CLOSING BALANCE DECEMBER 31, 2016	914	–283	-	631
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2016[1]	19	–337	-	–318

PARENT COMPANY **2016**	Shares and participations	Derivatives	Bonds	Total
Level 3				
Opening balance January 1, 2016	109	–734	-	–625
Total reported profit/loss: — reported in profit/loss for the year[1]	17	–337	-	–320
Acquisition cost, purchase	20	–5	-	15
Proceeds of sale, sales	–15	793	-	778
Transfer from Level 2	-	-	-	-
Transfer into Level 2	-	-	-	-
CLOSING BALANCE DECEMBER 31, 2016	131	–283	-	–152
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2016[1]	17	–337	-	–320

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

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



CASUALTY

Note 20 – Tangible assets

	Group Equipment	Parent Company Equipment
Accumulated acquisition cost		
Opening balance January 1, 2016	257	186
Acquisition	27	25
Disposals	–75	–47
Currency revaluation effect	3	-
CLOSING BALANCE DECEMBER 31, 2016	212	164
Opening balance January 1, 2017	212	164
Acquired balances	26	-
Acquisition	35	12
Disposals	–10	–10
Currency revaluation effect	–9	-
CLOSING BALANCE DECEMBER 31, 2017	**255**	**166**
Accumulated depreciation		
Opening balance January 1, 2016	–159	–109
Depreciation for the year	–31	–26
Disposals	74	46
Currency revaluation effect	–2	-
CLOSING BALANCE DECEMBER 31, 2016	–118	–89
Opening balance January 1, 2017	–118	–89
Acquired balances	–20	-
Depreciation for the year	–40	–27
Disposals	8	8
Currency revaluation effect	6	-
CLOSING BALANCE DECEMBER 31, 2017	**–164**	**–108**
Carrying amount		
Per January 1, 2016	98	77
PER DECEMBER 31, 2016	94	75
Per January 1, 2017	94	75
PER DECEMBER 31, 2017	**91**	**58**

Note 21 – Deferred acquisition costs

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Opening balance January 1	645	628	431	322
Acquired/sold portfolio	–16	0	0	0
Capitalization for the year	461	965	327	397
Depreciation/amortization for the year	–535	–991	–325	–301
Currency revaluation effect	–39	43	–30	13
CLOSING BALANCE DECEMBER 31	**516**	645	**403**	431

Note 22 – Untaxed reserves

PARENT COMPANY	2017	2016
Accumulated depreciation in excess of plan		
Opening balance January 1	34	29
Change for the year - goodwill	–4	–4
Change for the year – tangible assets	–4	9
CLOSING BALANCE DECEMBER 31	**26**	34
Appropriation to safety reserve		
Opening balance January 1	10,690	10,690
CLOSING BALANCE DECEMBER 31	**10,690**	10,690
TOTAL	**10,716**	10,724

Note 23 – Provisions for unearned premiums and unexpired risks

PROVISIONS FOR UNEARNED PREMIUMS

	2017			2016		
GROUP	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	3,522	–1,263	2,259	2,795	–674	2,121
Acquired/sold portfolio	–31	0	–31	185	–185	0
Change in provision	391	–431	–40	289	–305	–16
Currency revaluation effect	–234	93	–141	253	–99	154
CLOSING BALANCE	**3,648**	**–1,601**	**2,047**	3,522	–1,263	2,259

PROVISIONS FOR UNEXPIRED RISKS

	2017			2016		
GROUP	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	79	–59	20	84	–62	22
Change in provision	–1	1	0	–11	8	–3
Currency revaluation effect	–8	6	–1	6	–5	1
CLOSING BALANCE	**70**	**–52**	**19**	79	–59	20

PROVISIONS FOR UNEARNED PREMIUMS

	2017			2016		
PARENT COMPANY	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	2,522	–1,067	1,455	1,718	–640	1,078
Change in provision	418	–245	173	676	–349	327
Currency revaluation effect	–224	127	–97	128	–78	50
CLOSING BALANCE	**2,716**	**–1,185**	**1,531**	2,522	–1,067	1,455

PROVISIONS FOR UNEXPIRED RISKS

	2017			2016		
PARENT COMPANY	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	80	–58	22	84	–62	22
Change in provision	–1	1	0	–11	8	–3
Currency revaluation effect	–8	6	–2	7	–4	3
CLOSING BALANCE	**71**	**–51**	**20**	80	–58	22

Note 24 – Claims reserve

GROUP	2017 Gross	2017 Reinsurers' share	2017 Net	2016 Gross	2016 Reinsurers' share	2016 Net
Opening balance, reported claims	*8,191*	*–1,775*	*6,416*	*7,251*	*- 1,540*	*5,711*
Opening balance, incurred but not reported claims (IBNR)	*5,792*	*–1,002*	*4,790*	*5,885*	*–841*	*5,044*
OPENING BALANCE	**13,983**	**–2,777**	**11,206**	13,136	–2,381	10,755
Sold portfolio	–267	0	–267	0	0	0
Cost for claims incurred – current year	4,632	–2,098	2,534	4,312	–1,429	2,883
Cost for claims incurred – prior year	2,943	–846	2,097	1,505	–144	1,361
Claims handling expenses	188	0	188	206	0	206
Paid claims	6,409	–1,958	4,451	5,740	–1,363	4,377
Currency revaluation effect	–480	–80	–560	976	–186	790
CLOSING BALANCE	**14,214**	**–3,843**	**10,371**	13,983	–2,777	11,206
Closing balance, reported claims	*8,249*	*–2,273*	*5,976*	*8,191*	*–1,775*	*6,416*
Closing balance, incurred but not reported claims (IBNR)	*5,965*	*–1,570*	*4,395*	*5,792*	*–1,002*	*4,790*

PARENT COMPANY	2017 Gross	2017 Reinsurers' share	2017 Net	2016 Gross	2016 Reinsurers' share	2016 Net
Opening balance, reported claims	*4,375*	*–1,181*	*3,194*	*3,983*	*–1,046*	*2,937*
Opening balance, incurred but not reported claims (IBNR)	*1,406*	*–339*	*1,067*	*1,591*	*–345*	*1,246*
OPENING BALANCE	**5,781**	**–1,520**	**4,261**	5,574	–1,391	4,183
Cost for claims incurred – current year	3,402	–1,725	1,677	2,209	–702	1,507
Cost for claims incurred – prior year	1,585	–255	1,330	476	–197	279
Claims handling expenses	118	0	118	120	0	120
Paid claims	3,086	–1,304	1,782	2,648	–846	1,802
Currency revaluation effect	–194	45	–149	290	–77	213
CLOSING BALANCE	**7,370**	**–2,151**	**5,219**	5,781	–1,520	4,261
Closing balance, reported claims	*4,904*	*–1,492*	*3,412*	*4,375*	*–1,182*	*3,193*
Closing balance, incurred but not reported claims (IBNR)	*2,466*	*–659*	*1,807*	*1,406*	*–338*	*1,068*

Note 25 – Equalization provision

GROUP	2017	2016
Opening balance January 1	-	-
Provision of the year	-	-
CLOSING BALANCE DECEMBER 31	**-**	-

PARENT COMPANY	2017	2016
Opening balance January 1	44	89
Provision of the year	–15	–45
CLOSING BALANCE DECEMBER 31	**29**	44

Note 26 – Claims handling provision

	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
Opening balance January 1	289	295	141	150
Acquired portfolio	0	8	0	0
Release of provision made in prior years	–83	-87	–49	-48
Provision for the year	76	76	45	37
Currency revaluation effect	3	9	2	2
CLOSING BALANCE DECEMBER 31	**285**	301	**139**	141

Note 27 – Employee benefits

DEFINED BENEFIT PLANS

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Pension obligations covered by plan assets	129	135	-	-
Plan assets at fair value	132	105	-	-
SURPLUS (-) DEFICIT (+)	**–3**	–30	**-**	-
Pension obligations not covered by plan assets	14	30	14	16
PROVISION FOR DEFINED BENEFIT PENSION PLANS, NET	**11**	30	**14**	16

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 (33%), Swedish and foreign shares (28%), real-estate (11%), non listed shares (10%) and other investment assets (18%).

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.

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	2017	2016
Current service cost	7	8
Interest cost on pension obligation	3	3
Interest income on plan assets	–3	–3
PENSION COST FOR DEFINED BENEFIT PLANS	**7**	8
Paid premiums, defined contribution plans	68	64
TOTAL PENSION COST[1]	**75**	72

[1] 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	2017	2016
Opening balance pension obligation	135	121
Current service cost	6	8
Interest cost on pension obligation	3	3
Actuarial gains and losses recognized in OCI	4	8
Release of obligation by payment	–5	–5
Tax	–1	–2
Currency revaluation effect	1	2
CLOSING BALANCE PENSION OBLIGATION	**143**	135

Note 27 – Cont.

CHANGES IN PLAN ASSETS

GROUP	2017	2016
Opening balance plan assets at fair value	105	94
Adjustment of previous years assets in Skandia	18	-
Interest income on plan assets	3	2
Contributions	8	9
Actuarial gains and losses recognized in OCI	1	2
Release of obligation by payment	–3	–2
Currency revaluation effect	0	0
CLOSING BALANCE PLAN ASSETS AT FAIR VALUE	**132**	105

The plan assets' fair value, as per December 31, 2017, is lower than the value of the Group's defined benefit pension commitments. The Group has per December 31, 2017 a net obligation of MSEK 11 (30). 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, 2 (0) employees have exercised the opportunity to take early retirement.

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

GROUP	2017	2016
Opening balance actuarial gains/losses	11	4
Adjustment of previous years assets in Skandia	–18	-
Current year change in actuarial gains (–)/losses (+) on pension obligation	3	8
Current year change in actuarial gains (–)/losses (+) on plan assets	–1	–2
Currency revaluation effect	1	1
CLOSING BALANCE ACTUARIAL GAINS/LOSSES	**–4**	11

ACTUARIAL ASSUMPTIONS

GROUP	2017	2016
Discount rate	2.2%	2.2 %
Price inflation	1.0%	1.5%
Expected salary increases	2.8%	2.7%
Indexation of benefits	1.7%	1.6%
Indexation of income base amount	2.0%	2.7%
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 19 years (16 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 (DUS14) 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	
	2017	2016	2017	2016
Amounts due to group companies[1]	524	1	780	36
Other creditors	717	253	126	143
TOTAL[2]	**1,241**	254	**906**	179

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

Note 29 – Contingent liabilities and commitments

PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Bonds and other interest-bearing securities	7,196	8,387	5,246	5,480
Cash and bank	1,417	752	1,386	624
ASSETS FOR WHICH POLICY HOLDERS HAVE PREFERENTIAL RIGHTS	**8,613**	9,139	**6,632**	6,104

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 6,632. 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	
	2017	2016	2017	2016
Nominal amount				
Guarantees on behalf of subsidiary	3,799	3,882	3,799	3,882
Future commitments for investments in private equity companies	616	824	2	7
TOTAL	**4,415**	4,706	**3,801**	3,889

Note 30 – Associated parties

SUMMARY OF TRANSACTIONS WITH ASSOCIATED COMPANIES WITHIN THE CHINA MINSHENG GROUP

GROUP 2017	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Liabilities
Sirius Bermuda Insurance Company Ltd- ceded reinsurance	525	–669	-	144	-
Sirius Bermuda Insurance Company Ltd – assumed reinsurance	–1,075	1,201	-	-	311
Alstead Reinsurance Ltd. – assumed reinsurance	–2	2	-	-	4
Sirius Bermuda Insurance Company Ltd – financial services	-	-	–57	24	0
Fund American Holdings AB – dividend	-	-	–905	-	745
White Schoals Re Ltd. – administrative services	-	-	2	-	-
Sirius International Insurance Group, Ltd. – administrative services	-	-	39	8	-
International Medical Group – financial services	-	-	25	532	-
Sirius International Holdings Ltd – administrative services	-	-	–9	-	-
Other associated companies – within CMI- group	-	-	-	1	-
TOTAL	**–552**	**534**	**–905**	**709**	**1,060**

PARENT COMPANY 2017	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Liabilities
Sirius Bermuda Insurance Company Ltd – ceded reinsurance	525	–669	-	144	-
Sirius Bermuda Insurance Company Ltd – assumed reinsurance	–1,075	1,201	-	-	311
Sirius America Insurance Company – ceded reinsurance	743	–950	-	587	-
Star Re Ltd. – assumed reinsurance	–109	-	-	-	-
Syndicate 1945 – ceded reinsurance	7	–21	-	-	2
Fund American Holdings AB – dividend	-	-	–905	-	745
Sirius International Holding (NL) B.V. – writedown shares	-	-	–139	-	-
Sirius Rückversicherungs Service GmbH – intra group payable	-	-	–30	-	35
Sirius International Insurance Group Ltd – administrative services	-	-	–4	-	-
S.I. Holdings (Luxembourg) S.à r.l. – dividends/receivable	-	-	110	114	-
International Medical Group – financial services	-	-	25	532	-
Syndicate 1945 – intra group receivable	-	-	107	223	-
Sirius Global Services LLC – administrative services	-	-	19	5	2
Sirius International Holdings Ltd. – administrative services	-	-	–9	-	-
Sirius International Managing Agency Ltd. - administrative services	-	-	2	12	-
Sirius Capital Markets Inc – administrative services	-	-	–4	-	5
Sirius International Corporate Member Ltd. – intra group receivable	-	-	-	524	-
Sirius Investment Advisors LLC – asset management services	-	-	–2	-	1
Sirius Bermuda Insurance Company Ltd – financial services	-	-	–135	22	-
Other associated companies	-	-	-	-	1
TOTAL	**91**	**–439**	**–965**	**2,163**	**1,102**

Note 30 – Cont.

GROUP 2016	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Liabilities
Sirius Bermuda Insurance Company Ltd – assumed reinsurance	–326	205	-	-	243
Alstead Reinsurance Ltd – ceded reinsurance	1	-	-	-	-
Alstead Reinsurance Ltd – assumed reinsurance	–2	1	-	-	1
Sirius Bermuda Insurance Company Ltd – financial services	-	-	–779	138	-
Fund American Holdings AB – group contribution	-	-	-	-	7
White Schoals Re Ltd – administrative services	-	-	4	-	-
Sirius International Insurance Group Ltd – administrative services	-	-	27	3	-
OneBeacon Insurance Group Ltd. – liability insurance and dividends	-	-	13	-	-
White Mountains Advisors LLC – Asset management services	-	-	–10	-	-
Other associated companies – within the WTM group	-	-	4	-	-
Other associated companies – within the CMI group	-	-	-	5	8
TOTAL	–327	206	–741	146	259

PARENT COMPANY 2016	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Liabilities
Sirius Bermuda Insurance Company Ltd – assumed reinsurance	–326	205	-	-	243
Alstead Reinsurance Ltd – ceded reinsurance	1	-	-	-	-
Sirius America Insurance Company – ceded reinsurance	361	–318	-	1,032	-
Sirius America Insurance Company – assumed reinsurance	-	10	-	4	-
Star Re Ltd – assumed reinsurance	–125	-	-	-	-
Syndicate 1945 – ceded reinsurance	12	1	-	4	-
Syndicate 1945 – assumed reinsurance	-	-	-	-	-
Sirius America Insurance Company – administrative services	-	-	48	16	-
SI Phoenix (Luxembourg) S.à r.l. – dividend	-	-	2,030	-	4
Fund American Holdings AB – group contribution	-	-	-	-	7
Sirius International Holding (NL) B.V. – dividend	-	-	618	-	-
Sirius International Holding (NL) B.V. – writedown shares	-	-	–92	-	-
Sirius Rückversicherungs Service GmbH – intra group payable	-	-	–28	-	29
Sirius Rückversicherungs Service GmbH – dividend	-	-	30	-	-
Sirius Belgium Réassurances S.A. – intra group payable	-	-	-	-	-
Star Re Ltd – intra group payable	-	-	1	-	-
S.I. Holdings (Luxembourg) S.à r.l. – dividend/receivable	-	-	950	264	-
Passage 2 Health – intra group payable	-	-	–5	-	-
Syndicate 1945 – intra group payable	-	-	120	119	-
Sirius Global Services LLC – administrative services	-	-	–43	-	2
Sirius International Holdings Ltd – administrative services	-	-	–8	-	-
Sirius International Managing Agency Ltd – administrative services	-	-	1	7	-
White Sands Holdings (Luxembourg) S.à r.l. – dividend	-	-	-	-	-
Sirius International Corporate Member Ltd – intra group receivable	-	-	-	20	-
White Mountains Advisors LLC – assets management services	-	-	–4	-	-
Sirius Bermuda Insurance Company Ltd – financial services	-	-	–783	20	-
White Schoals Re Ltd – administrative services	-	-	2	-	-
Other associated companies	-	-	2	1	1
TOTAL	–77	–102	2,838	1,487	286

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

AVERAGE NUMBER OF EMPLOYEES

	2017			2016		
GROUP	Men	Women	Total	Men	Women	Total
Parent Company	148	147	**295**	156	152	308
Germany	5	9	**14**	5	9	14
USA	93	119	**212**	60	58	118
Canada	6	2	**8**	6	2	8
TOTAL	**252**	**277**	**529**	227	221	448

	2017			2016		
PARENT COMPANY	Men	Women	Total	Men	Women	Total
Sweden	73	75	**148**	74	73	147
UK	37	30	**67**	37	28	65
Belgium	26	23	**49**	26	23	49
Switzerland	6	5	**11**	5	5	10
Shanghai	1	-	**1**	-	-	-
Singapore	5	14	**19**	5	13	18
Bermuda	-	-	**-**	**9**	**10**	**19**
Total	**148**	**147**	**295**	**156**	**152**	**308**

SENIOR MANAGEMENT

	2017			2016		
GROUP AND PARENT COMPANY	Men	Women	Total	Men	Women	Total
Board and CEO	4	1	**5**	4	1	5
Other senior members of management	1	-	**1**	1	-	1
TOTAL	**5**	**1**	**6**	5	1	6

REMUNERATIONS TO EMPLOYEES

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Salaries including bonuses	618	832	280	493
Of which expensed bonus and other similar remunerations	96	386	36	230
Pension expenses	66	67	55	60
— Defined contribution plans	*60*	*64*	*55*	*60*
— Defined benefit plans (Note 27)	*8*	*7*	*-*	-
Social security contributions, special employer's contributions on pensions	89	123	75	112
TOTAL	**774**	1,022	**410**	665

Note 31 – Cont.

OF WHICH PAID REMUNERATIONS FOR THE YEAR TO:

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
CEO				
Salaries including bonuses	28	27	28	27
Of which paid out bonuses	*24*	*23*	*24*	*23*
Pension expenses	1	1	1	1
— Defined contribution plans	*1*	*1*	*1*	*1*
— Defined benefit plans	-	-	-	-
TOTAL	**29**	28	**29**	28
Former CEO				
Salaries including bonuses	22	33	22	33
Of which paid out bonuses	*22*	*33*	*22*	*33*
Pension expenses	-	-	-	-
— Defined contribution plans	-	-	-	-
— Defined benefit plans	-	-	-	-
TOTAL	**22**	33	**22**	33
Board and other senior members of management				
Salaries including bonuses	33	36	33	36
Of which expenses bonus and other similar remunerations	*26*	*30*	*26*	*30*
Pension expenses	3	3	3	3
— Defined contribution plans	*3*	*3*	*3*	*3*
— Defined benefit plans	-	-	-	-
TOTAL	**36**	39	**36**	39

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 2016 and 2017.

Remuneration policy

Sirius International's remuneration policy is available on the Company's homepage, which follows FFFS 2015:12.

Note 32 – Fees and reimbursements to auditors

	GROUP		PARENT COMPANY	
PwC	**2017**	**2016**	**2017**	**2016**
Audit assignment	14	13	5	4
Other audit services	2	2	1	1
Tax counseling[1]	2	1	-	-
Other services[1]	20	-	1	-
TOTAL	**38**	16	**7**	5

[1] PwC Sweden have invoiced MSEK 0 (0) for tax counseling and MSEK 1 (0) for other services to swedish companies.

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	
	2017	**2016**	**2017**	**2016**
Due for payment within one year	65	53	35	31
Due for payment later than one year but within five years	152	148	65	82
Due for payment after five years	39	55	24	34
TOTAL	**256**	256	**125**	147

Note 34 – Class analysis

PROFIT/LOSS PER INSURANCE CLASS

GROUP 2017	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	3,327	27	267	255	3,876	7,177	**11,053**
Premium earned, gross	2,694	36	287	247	3,264	7,399	**10,663**
Incurred claims, gross	–1,670	–21	–564	–221	–2,476	–5,099	**–7,575**
Operating expenses, gross	–970	–10	–118	–106	–1,204	–2,111	**–3,315**
Result, ceded reinsurance	–108	–2	58	3	–49	–353	**–402**
TECHNICAL RESULT[1]	**–54**	**3**	**–337**	**–77**	**–465**	**–164**	**–629**

PARENT COMPANY 2017	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	1,254	27	48	25	1,354	7,003	**8,357**
Premium earned, gross	1,225	36	53	26	1,340	6,600	**7,940**
Incurred claims, gross	–563	–21	–111	–9	–704	–4,283	**–4,987**
Operating expenses, gross	–593	–10	–25	–15	–643	–1,787	**–2,430**
Result, ceded reinsurance	–53	–2	35	–4	–24	–530	**–554**
Equalization provision	-	-	-	-	-	15	**15**
TECHNICAL RESULT[1]	**16**	**3**	**–48**	**–2**	**–31**	**15**	**–16**

GROUP 2016	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	2,598	31	470	248	3,347	7,459	10,806
Premium earned, gross	2,484	32	457	231	3,204	7,324	10,528
Incurred claims, gross	–1,503	3	–299	–203	–2,002	–3,815	–5,817
Operating expenses, gross	–832	–10	–130	–109	–1,081	–2,279	–3,360
Result, ceded reinsurance	–129	–13	–98	–7	–247	–749	–996
TECHNICAL RESULT[1]	20	12	–70	–88	–126	481	355

PARENT COMPANY 2016	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	1,188	30	37	17	1,272	5,523	6,795
Premium earned, gross	1,086	32	28	15	1,161	4,969	6,130
Incurred claims, gross	–474	3	–17	–5	–493	–2,192	–2,685
Operating expenses, gross	–489	–10	–28	–14	–541	–1,405	–1,946
Result, ceded reinsurance	–80	–13	–8	–2	–103	–884	–987
Equalization provision	-	-	-	-	-	45	45
TECHNICAL RESULT[1]	43	12	–25	–6	24	533	557

[1] Excludes operating expenses that are not related to the non-life insurance business.

Note 35 – Appropriation of profits

PROPOSED APPROPRIATION OF PROFITS

For 2017, the Parent Company recorded income before appropriations and taxes of MSEK 118 (MSEK 3,912). Net income for the year amounted to MSEK 122 (MSEK 3,855) As of December 31, 2017 unrestricted retained earnings in the Group amounted to MSEK 3,306 (MSEK 5,400). The following profits are at the disposal of the general meeting of shareholders in the Parent Company Sirius International:

(SEK IN THOUSANDS)	
Retained earnings	3,988,285
Non-Restricted reserves	–10,073
Transfer from restricted reserves	17,562
Dividends paid, as resolved by the general meeting of shareholders	–905,000
Net income for the year	122,293
TOTAL	**3,213,067**

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

Dividend to the owner	0
To be carried forward	3,213,067
	3,213,067

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.

STOCKHOLM, APRIL 20, 2018

ALLAN WATERS
Chairman of the Board of Directors

JEFFREY DAVIS

JAN ONSELIUS

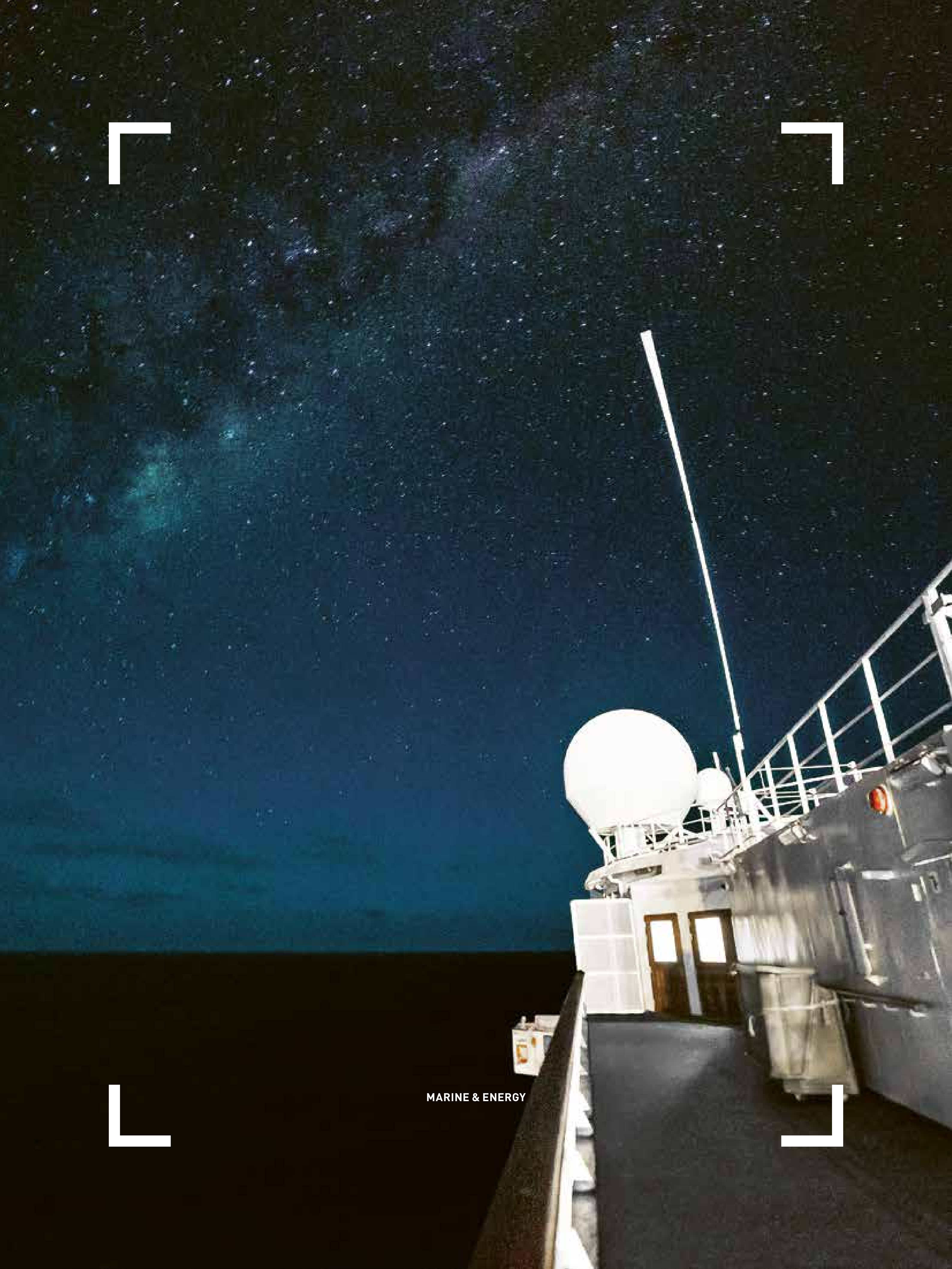
LARS EK

MONICA CRAMÉR MANHEM
President & CEO

Our Auditors' Report was submitted on April 20, 2018

MORGAN SANDSTRÖM
Authorised Public Accountant
Auditor in charge

PETER SOTT
Authorised Public Accountant


MARINE & ENERGY

For translation purposes only

Audit report

To the general meeting of the shareholders of Sirius International Försäkringsaktiebolag (publ), Corporate Identity Number 516401-8136.

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Sirius International Försäkringsbolag (publ) for the year 2017.

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 2017 and its financial performance and cash flow 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Insurance Companies.

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

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been presented to the parent company and the group Audit Committee in accordance with the audit regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

AUDIT SCOPE

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
VALUATION OF LOSS RESERVES Claims outstanding is a material financial statement line item that is based on calculations and judgment of the future outcome of costs in relation to incurred losses. Factors that are taken into account in these estimates, amongst other consist of run-off time and claim patterns. The Company uses recognised actuarial methodologies and methods to calculate the claims outstanding. The Company's claims outstanding consist of various products whereby the nature of the products impact the calculation models. Refer to the Annual report Note 1 – Accounting principles (Assessments and estimates in the financial statements), Note 2 – Information on risks and Note 24 – Claims reserve	Our audit has included, but not exclusively consisted of: • Assessment of the design and testing of operating effectiveness of key controls in the Company's applications and processes to calculate claims outstanding. These controls amongst other consist of controls of key data, actuarial calculations, reserving, claims adjustments and accounting. • Sample based testing of underlying data utilised in the actuarial calculations. • Sample based testing of supporting documentation to claim files. • Furthermore, our audit has consisted of assessments of actuarial methods and models. We have challenged and assessed management's assumptions. In addition, we have performed independent calculations of a sample of products to assess whether the claims outstanding are reasonable. PwC's internal actuarial specialists have assisted in the audit.
RECOGNITION OF PREMIUM ESTIMATES The Company underwrites various classes of business which have different risk patterns. A significant part of the assumed reinsurance premiums are based on assumptions and judgment of expected premium outcome. The application of appropriate earnings patterns is necessary in order to earn revenue in line with the underlying risk. Refer to the Annual report Note 1 – Accounting principles (Assessments and estimates in the financial statements), Note 2 – Information on risks and Note 3 – Premium income	Our audit has included, but not exclusively consisted of: • Assessment of the design and testing of operating effectiveness of key controls in the Company's applications and processes for underwriting and accounting. • On a sample basis, testing the completeness and accuracy of key data utilised in the insurance system. • On a sample basis, verifying the existence and validity of insurance contract terms through external confirmations with brokers and cedents. • Sample based testing of earning patterns. • Sample based back-testing of prior year's premium estimates to 2017 outcome. • Sample based testing of journal entries posted to revenue accounts to identify unusual or irregular items. This testing has partly been performed using computer assisted auditing techniques.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies and, concerning the consolidated accounts, in accordance with IFRS, as adopted by the EU and the Annual Accounts Act for Insurance Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sirius International Försäkringsaktiebolag (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR´S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed as the auditor of Sirius International Försäkringsaktiebolag (publ) by the annual general meeting on 16 May 2017, and has been the Company's auditor since 16 April 2004.

Stockholm, April 20, 2018

PricewaterhouseCoopers AB

MORGAN SANDSTRÖM
Authorised Public Accountant
Auditor in charge

PETER SOTT
Authorised Public Accountant


CREDIT & BONDS

Definitions

Combined ratio

Net claims incurred in relations 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 2016. 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 Scandinavia 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, White Mountains aquired Sirius.

IN 2011 ON JULY 1 Sirius International established Lloyd's Syndicate 1945. In the autumn Sirius America (former White Mountains Re America) "became part of the Sirius Group" as a 100% owned subsidiary.

IN 2014 Monica Cramér Manhem became the President & CEO of Sirius International. The Managing Agency was set up.

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

IN 2017 Sirius International received regulatory approval to open their Representative Office in Shanghai.

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 talk.

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

Since 2004 Sirius has had an average combined ratio of 86 % and over $1 billion in underwriting profits. This long-term track record is perhaps unparalleled.

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