SIRIUS INTERNATIONAL INSURANCE CORPORATION (publ)

ANNUAL REPORT 2020

This is an unaudited translation of Sirius International Annual Report 2020.
The audited Swedish version is the binding version.

Contents

Board of Directors' Report

The Board of Directors and the President and Managing Director of Sirius International Försäkringsaktiebolag (publ), (Sirius International), Corporate Identity Number 516401-8136, hereby present the Annual Report for 2020.

General information regarding the company

Sirius International provides 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.

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

The year 2020 will go down in modern history as being one of the most challenging years in the insurance industry. The number of natural catastrophes was higher than the average for the period since year 2000, resulting in great humanitarian and economic losses. This in combination with the most devastating pandemic the world has seen since 1918. A pandemic that will pervasively effect society and the way people live for a long time forward.

Even if the natural catastrophe losses were not record breaking in 2020, they were 40 % higher than the 21st century average. United States was once again the market worst affected in terms of insured losses, where 76% of the global insured natural catastrophe claims incurred. This is above the 21st century average of 56%. The European market on the other hand noted the lowest natural catastrophe claims since 2006. During the unusually active hurricane season over the Atlantic, no less than 30 named storms, 13 hurricanes and 6 major hurricanes were noted. Of these, hurricanes Laura and Sally were the costliest with combined claims estimated to 14 billion USD. Additionally, continuous and powerful consecutive storms, known as the phenomena Derecho, hit and caused claims estimated to 8 billion USD for the whole industry. The global insurance industry's cost for the Covid-19 pandemic cannot yet be reliably estimated.

Sirius International's insurance portfolio has also been affected by the above events, but the extent varies depending on geographical exposure and net market shares. The major claims events for Sirius International are summarized below.

The largest (re)insurance losses for Sirius International during 2020 emanate from the Covid-19 pandemic, the weather phenomena Derecho and hurricane Laura. These events combined are estimated to have resulted in claims of approximately MSEK 1,385 for own account. The company's globally diversified insurance portfolio has a dampening effect on the result despite significant losses from specific risks or geographic regions.

Gross premium income amounted to MSEK 9,472 (10,119). The decrease in gross premium income is mainly related to a fronting arrangement, where the premium for own account is 0. The premium income for own account amounted to MSEK 6,400 (3,889), being 65% higher than in the previous year. The increase in premium income for own account is mainly explained by new contracts, previously provided by a sister company. The increase is also partly explained by the insurance contract the Company entered in 2019 with another entity within the Group, which protects the Company from loss development from reinsurance contracts from prior underwriting years.

Claims reserves from previous accident years have been stable during the year, with a positive run-off result in the underlying portfolio of MSEK 372. The price levels of the insurance portfolio have been satisfactory during the year for multiple markets and insurance classes, while some segments in the portfolio struggle with profitability. The portion of the insurance portfolio, which was renewed at the beginning of 2021, has noted a stable volume with increased risk adjusted price levels. Overall for the portfolio, the pricing and renewal volume for 2021 is deemed to be satisfactory and in line with expectations.

The loss from insurance operations amounted to MSEK -532 (-479). The combined ratio was 108 % (113%). The weak insurance operating result is mainly due to claims emanating from the Covid-19 pandemic. All business segments are affected, but the majority of claims are found in assumed property reinsurance. The Swedish Financial Supervisory Authority's regulations (FFFS 2013:8) are allowing a dissolution of the safety reserve to cover losses in the insurance operation's technical result. Therefore, the Company has reported a dissolution of the safety reserve of MSEK 525 under the post Appropriations.

After the economic slowdown in the second quarter of 2020 relating to the Covid-19 pandemic, the Swedish economy exhibited a stronger recovery than expected as the spread of infection decreased. However, the second wave of transmission during the fourth quarter of 2020 made the economy slow down once more. The economy is expected to be recovering during 2021 once the mass vaccination is ongoing, but it is however uncertain how fast the recovery will be.

The pandemic is deeply affecting economic activities, globally as well as in Sweden. Covid-19 restrictions have been reintroduced in many countries and the high spread of infection is putting the healthcare industry under extreme pressure. Despite the circumstances, the manufacturing and export industries have managed to keep up its activities.

Despite the year's expansionary fiscal policy to support the economy during the pandemic, the public finances are continually strong. Even though the Covid-19 pandemic is still highly negatively affecting the global economy, there is light at the end of the tunnel. Aside from the promising news of an effective vaccine, other considerable risks have been eliminated such as Brexit and the EU-UK trade and cooperation agreement and the intriguing American election. Given these considerations, there is a general expectation that the global economy will grow by 5 % during 2021 after a 3,5% decline in 2020.

Generally, the world's leading stock markets had a positive development during the year. OMXS 30 in Sweden increased by 6 %, Dow Jones increased by 7 % and DAX increased by 3 %. However, the FTSE 100 Index fell by 14.3 % during the year.

The Swedish krona was strengthened against several major currencies during the year. SEK was strengthened by 12% against USD, 4% against EUR and 9% against GBP. This is partly due to the Swedish central bank raising the negative interest rate to 0 % at the end of 2019.

The markets in the U.S., Sweden, Germany and the UK are the most important ones for the Company's bond portfolio. In Sweden, the interest rate levels on two-year tenor have increased 8 basis points whereas the interest rate in the five-year tenor have decreased by 22 basis points. In the U.S., the interest rates have decreased 85 basis points for the three-year tenor and 82 basis points for five years. The UK interest rates decreased 22 and 30 basis points respectively for the three year and five year tenors. The corresponding interest rates for EURO bonds remained virtually unchanged.

Overall, yield on the bond portfolio was 4.2 % adjusted for exchange rate effects. As regards the equity portfolio, including investments in hedge funds and private equity investments, the yield amounted to -10.2 %, adjusted for exchange rate effects. The realized and unrealized currency exchange rate result, including currency hedging, amounted to a loss of MSEK 768. 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 exposed to foreign currency, after currency hedging, is in line with previous year.

The Investment result 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 loss of MSEK 635 (profit of 537). The direct yield was 1.4 % (2.4 %) and the total yield was -3.5 % (3.8 %). 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 slightly changed during the year with a transition towards a larger portion of shares compared to the previous year. At year-end, the consolidated investment portfolio, excluding currency related derivatives, had the following composition: Bonds and other interest bearing securities 52 %, Shares and participations including subsidiaries 32 % and Bank funds 16 %.

Sirius International Försäkringsaktiebolag (publ), is subject to Solvency II reporting to the Swedish Financial Supervisory Authority. Sirius International is the reporting entity for Solvency II group reporting on behalf of Sirius International UK Holdings Ltd- group (SIUK Group) based in the United Kingdom. Due to Brexit Sirius Group International S.à r.l. is from 1/1 2021 the top company in the Solvency II Group. Furthermore, the Bermuda Monetary Authority (BMA) has assumed the role as group supervisor for Sirius International Insurance Group, Ltd, Bermuda (SIIG). Discussions are ongoing in a supervisory college to ensure that appropriate group supervision at appropriate levels within SIIG are in line with the EU regulation and also takes into account the Solvency II equivalency rules in Bermuda.

The own funds items for each entity within the group primarily consist of basic own funds items which have been deemed to be fully eligible to meet the Solvency capital requirement for each company within the SIUK Group. In the Solvency II rules impacting the SIUK 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 SIUK- Group.

For the Parent company the ratio of total eligible own funds to the solvency capital requirement is 1.51 (1.65), and the ratio of total eligible own funds to the minimum capital requirement is 5.99 (6.57). After deduction of non-available own funds items within the SIUK Group, the ratio of total eligible own funds to the solvency capital requirement is 1.33 (1.51). For the SBDA Group, the expected ratio of total eligible own funds to the solvency capital requirement is 2.24 (2.62), 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, ultimately owned by SiriusPoint Ltd., Bermuda. The shares of SiriusPoint Ltd are listed on New York Stock Exchange.

At the end of 2020, Sirius International Försäkringsaktiebolag (publ), owned the subsidiaries Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium; Sirius Rückversicherungs Service GmbH, Hamburg, Germany; Sirius International Advisory Zürich GmbH, Zürich, Switzerland; Sirius International Corporate member Ltd., London, United Kingdom; Sirius International Managing Agency Ltd., London, United Kingdom; 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 seven branch offices. These are Sirius International Insurance Corporation (publ) UK branch, London, United Kingdom; Sirius International Insurance Corporation (publ) Stockholm Zürich branch, Zürich, Switzerland; Sirius International Insurance Corporation (publ) Asia branch, Singapore; Sirius International Insurance Corporation (publ) Labuan branch, Labuan, Malaysia; Sirius International Insurance Corporation (publ) Belgian branch, Liège, Belgium; Sirius International Insurance Corporation (publ) Bermuda Branch, Hamilton, Bermuda; Sirius International Insurance Corporation (publ) Australian Branch, Australia. In Hamburg, Germany, the operations are conducted through the agency, Sirius Rückversicherungs Service GmbH, which provides insurance on behalf of Sirius International.

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

Significant events during and after the financial year

As a result of Brexit on January 31, 2020, Sirius International has applied with the Prudential Regulation Authority ("PRA"), to convert its UK Branch to a so called third country branch. The company will continue the operations under a temporary permissions regime as legislated by the British government. The Company is expecting to get an approval from the PRA during the transition period.

Early March 2020 AM Best downgraded Sirius Financial Strength Ratings from A with negative outlook to A- with negative outlook and Standard and Poor´s have changed the outlook from A- stable to negative. This is a consequence of CMIGs financial hardships and their block of the SIIG board right to independently issue new shares. Following the merger to SiriusPoint AM Best changed the outlook to stable and confirmed the A- rating.

Since the World Health Organization declared the outbreak of the coronavirus to be a pandemic, the world has been in a state of emergency and the Company has been monitoring the developments with concern. The impact the pandemic has had on the result is accounted for in the above section Development of the Company's operations, income and financial position.

The company's top priority has been the operations, protection of staff and business partners. Sirius International have therefore taken strict measures throughout our organization to keep the risk of infection as low as possible, including working from home and with no business trips or office visits.

During August, Sirius International Insurance Group Ltd entered a definitive merger agreement with Third Point Reinsurance Ltd. The transaction was completed on February 26, 2021, after approval from concerned authorities. In connection with the merger Third Point Reinsurance Ltd changed its corporate name to SiriusPoint Ltd. As a consequence of the merger China Minsheng Investment Corp now have a minority ownership of the Group.

On February 26, 2021 Sirius International have decided to change its name to SiriusPoint International Försäkringsaktiebolag (publ). The change have not been registered yet.

During the year Sirius have transferred MSEK 1,031 in capital contributions to the subsidiary Sirius International Corporate Member Ltd in order to cover losses and meet the capital requirements by Lloyds. An additional contribution of MSEK 100 was made in March 2021.

There are no other significant events to disclose.

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 satisfactory, despite increased competition in 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. The company closely monitors available capital with the goal to have an efficient and forward looking capital management process over the insurance cycle, allowing the company to write the business targeted by its business model. In the planning process, as well as on a quarterly basis, the capital impact from our underwriting and investment strategies are reviewed. The analysis shows that the company is properly capitalized to support the medium term planning process and that the company is capable of sustaining its business model also under both internal and external deviations from the view in the base scenario.

Sustainability report

The Company is included in the Environmental, Social and Governance report (ESG) which is created by the Group Parent Company Sirius International Insurance Group Ltd. The report is available on Sirius International’s webpage; www.siriuspt.com

Five-year summary

	2020	2019	2018	2017	2016
Net premium income	6,400	3,889	5,301	4,524	3,927
Net premiums earned	6,150	3,962	5,053	4,351	3,603
Allocated investment return	2	53	68	63	94
Net claims incurred	-4,481	-2,381	-3,371	- 3,007	-1,786
Operating costs	-2,157	-2,115	-1,755	-1,375	-1,305
Other operating costs	-47	-11	-17	-63	-192
Insurance operating result	-532	-479	-5	-15	459
Investment operating result	-577	345	168	138	3,457
Other expenses	-	-4	4	4	10
Net income for the year	-570	320	108	122	3,855
Net technical provisions	7,948	6,874	7,705	6,938	5,923
Market value on investment assets [1)]	19,108	18,642	20,002	19,302	20,271
Insurance operating profit, for own account					
Claims ratio	73%	60%	66 %	69 %	48 %
Cost ratio	35%	53%	35 %	31 %	36 %
Combined ratio	108%	113%	101 %	100 %	85 %
Investment Result					
Investment yield	1%	2%	1%	1 %	19 %
Total yield	-3%	4%	4%	1 %	18 %
Solvency Capital					
Shareholders' equity	3,977	4,594	4,165	4,063	4,856
Untaxed reserves	9,702	10,230	10,708	10,716	10,724
Total solvency capital	13,679	14,824	14,873	14,780	15,580
Solvency ratio	214%	381%	281 %	327 %	397 %
Total Eligible Own Funds[2)]	12,689	14,745	15,145	13,410	17,005
Of which basic own funds	*12,689*	*14,745*	*15,145*	*13,410*	*17,005*
Minimum capital requirement (MCR)	2,105	2,238	1,821	1,646	1,808
Solvency capital requirement (SCR)	8,418	8,951	7,282	6,584	7,234

1) Include Investment assets and Cash and bank balances.
2) According to Solvency II requirements

Proposed appropriation of profits

For 2020, the company recorded income of MSEK -1,109 (MSEK -138) before appropriations and taxes. Net income for the year amounted to MSEK -570 (MSEK 320). As of December 31, 2020 retained earnings in the Group amounted to MSEK 3,173 (3,781).

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

-	Retained earnings	SEK 3,781,459,735
-	Non-Restricted reserves	SEK -46,699,026
-	Restricted reserves	SEK 7,780,815
-	Net income for the year	SEK -569 908 747
-	Total	SEK 3,172,632,777

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

-	To be carried forward	SEK 3,172,632,777
		SEK 3,172,632,777

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

Income Statement

January 1 – December 31

MSEK

Technical Account for Insurance Operations

	Not	2020	2019
Earned premiums, for own account			
Gross premium income	*3*	9,472	10,119
Ceded reinsurance premiums	*3*	-3,073	-6,230
Change in the gross provision for unearned premiums		-703	531
Change in provision for unearned premiums, reinsurers' share		454	-458
Total earned premium, for own account		**6,150**	**3,962**
Allocated investment return transferred from the non-technical account		**2**	**53**
Claims incurred, for own account	*4*		
Claims paid			
Gross amount		-5,033	-7,869
Reinsurers' share		2,080	4,402
Claims paid, for own account		-2,953	-3,467
Change in the provision for claims, for own account			
Gross amount	*4*	-1,913	-594
Reinsurers' share		385	1,680
Total claims incurred, for own account		**-1,528**	**-2,381**
Operating costs	*5*	**-2,157**	**-2,115**
Other Operating costs	*5*	**-46**	**-11**
Change in equalization provision	*25*	**-**	**13**
Operating profit/loss of technical account		**-532**	**-479**

Income Statement – continued

January 1 – December 31

MSEK

Non-technical account

	Note	2020	2019
Balance of technical account		**-532**	**-479**
Investment income/expenses	*9*		
Investment income	*6*	549	950
Unrealized gains and losses	*7*	-715	486
Investment expenses and charges	*8*	-409	-1,038
Investment income allocated to the technical account		-2	-53
Total investment income/expenses		**-577**	**345**
Goodwill depreciation	*11*	-	-4
Result before appropriations and taxes		**-1,109**	**-138**
Appropriations	*21*		
Dissolution from safety reserve		525	470
Change in accelerated depreciations		3	7
Result before taxes		**-581**	**339**
Taxes	*10*	11	**-19**
Net income for the year		**-570**	**320**

Statement of Comprehensive Income

January 1 – December 31

MSEK

	2020	2019
Net income for the year	**-570**	**320**
Other comprehensive income		
Items to be reclassified to income statement:		
Change of fair value on bonds	-33	151
Tax on items to be reclassified to income statement	7	-32
Items reclassified to income statement:		
Change of fair value on bonds	-27	-12
Tax on items reclassified to income statement	6	2
Other comprehensive income for the year, net of tax	**-47**	**109**
Total comprehensive income for the year	**-617**	**429**

Balance Sheet

December 31

MSEK

ASSETS	*Note*	**2020**	**2019**
Intangible assets	*11*		
Other intangible assets		5	12
Total intangible assets		**5**	**12**
Investment assets			
Land and buildings	*12*	5	6
Shares and participations in group companies	*13*	4,023	2,992
Shares and participations in associated companies		122	122
Interest-bearing securities issued by, and loans to, Group companies.		3,251	3,787
Other financial investments			
Shares and participations	15, 19	1,539	2,646
Bonds and other interest-bearing securities	*16, 19*	5,789	6,325
Derivative financial instruments	*17, 19*	499	131
Total other financial investments		7,827	9,102
Deposits with cedents		1,092	1,407
Total investment assets		**16,320**	**17,416**
Reinsurers' share of technical provisions			
Provisions for unearned premiums	*23*	1,221	995
Claims outstanding	*24*	4,573	4,739
Total reinsurers' share of technical provisions		**5,794**	**5,734**
Debtors			
Debtors arising out of direct insurance operations		34	245
Debtors arising out of reinsurance operations		3,840	4,228
Current tax receivables		23	146
Deferred tax receivables	*10*	296	301
Other debtors	*18,19*	585	1,034
Total debtors		**4,778**	**5,954**
Other assets			
Tangible assets	*20*	27	34
Cash and bank balance		2,788	1,226
Total other assets		**2,815**	**1,260**
Prepayments and accrued income	*19*		
Accrued interest		21	44
Deferred acquisition costs	*21*	578	637
Other prepayments and accrued income		22	3
Total prepayments and accrued income		**621**	**684**
TOTAL ASSETS		**30,333**	**31,060**

MSEK

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	*Note*	2020	2019
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		55	102
Retained earnings		3,692	3,372
Net income for the year		-570	320
Total shareholders' equity		**3,977**	**4,594**
Untaxed reserves	*22*		
Accumulated accelerated depreciations		7	10
Safety reserve		9,695	10,220
Total untaxed reserves		**9,702**	**10,230**
Technical provisions			
Provisions for unearned premiums	*23*	3,189	3,024
Claims outstanding	*24, 26*	10,553	9,584
Equalization provision	*25*	-	-
Total technical provisions		**13,742**	**12,608**
Provisions for other risks and expenses			
Pension provisions	*27*	12	11
Current tax liabilities	*10*	73	118
Other provisions		208	235
Total provisions for other risks and expenses		**293**	**364**
Deposits received from reinsurers		**817**	**1,132**
Creditors			
Creditors arising out of direct insurance operations		2	2
Creditors arising out of reinsurance operations		1,448	1,563
Other creditors	*19, 28*	271	490
Total creditors		**1,721**	**2,055**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	*19*	81	77
Total accrued expenses and deferred income		**81**	**77**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**30,333**	**31,060**

Change in Shareholders’ Equity

MSEK

	Share-Capital	Restricted reserves	Other reserves[1]	Retained earnings[1]	Net profit/ loss for the year [1]	Total
Amount January 1, 2020	**800**	**13**	**102**	**3,359**	**320**	**4,594**
Transfer of net result from previous year	-	-	-	320	-320	**0**
Reclassification within shareholders’ equity	-	-8	-	8	-	**0**
Comprehensive income						
Net profit/ loss for the year	-	-	-	-	-570	**-570**
Other comprehensive income, net after tax						
Change of fair value on bonds	-	-	-47	-	-	**-47**
Total other comprehensive income	-	-	-47	-	-	**-47**
Total comprehensive income	-	-	-47	-	-570	**-617**
Transactions with owners						
Dividend paid [2]	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Amount December 31, 2020	**800**	**5**	**55**	**3,687**	**-570**	**3,977**
Amount January 1, 2019	**800**	**27**	**-7**	**3,237**	**108**	**4,165**
Transfer of net result from previous year	-	-	-	108	-108	**0**
Reclassification within shareholders’ equity	-	-14	-	14	-	**0**
Comprehensive income						
Net profit/ loss for the year	-	-	-	-	320	**320**
Other comprehensive income, net after tax						
Change of fair value on bonds	-	-	109	-	-	**109**
Total other comprehensive income	-	-	109	-	-	**109**
Total comprehensive income	-	-	109	-	320	**429**
Transactions with owners						
Dividend paid [2]	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Amount December 31, 2019	**800**	**13**	**102**	**3,359**	**320**	**4,594**

[1] The columns Other reserves, Retained earnings and Net profit/loss for the year together represents the non-restricted shareholders’ equity.
[2] No dividends declared to the parent company Fund American Holdings AB.

Share capital

Specified in number of shares	2020	2019
Issued per January 1	8,000,000	8,000,000
Issued per December 31	8,000,000	8,000,000

Per December 31, 2020 the share capital comprised 8,000,000 (8,000,000) ordinary shares.

The shares have a nominal value of 100 (100) SEK.

Other reserves

Fair value reserve		
Opening fair value reserve	130	-9
Change for the year	-60	139
Closing fair value reserve	**70**	**130**
Tax on fair value reserves		
Opening tax on fair value reserves	-28	2
Change for the year	13	-30
Closing tax on fair value reserve	**-15**	**-28**
Fair value reserve after tax		
Opening fair value reserve after tax	102	-7
Change for the year	-47	109
Closing fair value reserve after tax	**55**	**102**

Retained earnings

Opening retained earnings	3,359	3,237
Transfer of net result from previous year	320	108
Transfer to restricted reserve	8	14
Closing retained earnings	**3,687**	**3,359**

Restricted reserve

Opening restricted reserve	**13**	**27**
Transfer to restricted reserve	-8	-14
Closing restricted reserve	**5**	**13**

Net profit/loss for the year

Net profit/loss for the year	**-570**	**320**

Performance Analysis

January 1 - December 31 2020

MSEK

Analysis of Insurance Result

Technical result insurance operations	**Direct Swedish risks - Property**	**Direct Swedish risks - aviation**	**Direct foreign risks**	**Assumed reinsurance**	**Total**
Premiums earned, for own account	0	1	1,267	4,882	6,150
Allocated investment return transferred from the non-technical account	0	0	0	2	2
Claims incurred, for own account	0	0	-569	-3,912	-4,481
Operating costs	0	-	-631	-1,526	-2,157
Change in equalization provision	-	-	-	-	-
Technical result of insurance operation[1)]	**0**	**1**	**67**	**-554**	**-486**
Of which results from prior years, gross amount[)]	*0*	*0*	*49*	*37*	*86*
Technical provisions					
Unearned premiums and remaining risks	0	0	-715	-2,474	-3,189
Outstanding claims	0	0	-428	-9,935	-10,363
Claims adjustment provision	-	0	-10	-180	-190
Equalization provision	-	-	-	-	-
Technical provisions	**0**	**0**	**-1,153**	**-12,589**	**-13,742**
Reinsurers' share of technical provisions					
Unearned premiums and remaining risks	-	0	507	714	1,221
Outstanding claims	-	0	183	4,390	4,573
Reinsurers' share of technical provisions	**-**	**0**	**690**	**5,104**	**5,794**
Premiums earned, for own account					
Gross premium income	0	1	1,407	8,064	9,472
Ceded reinsurance premium	-	0	-429	-2,644	-3,073
Change in gross provision for unearned premiums	0	0	143	-846	-703
Reinsurers' share of change in unearned premiums	-	0	146	308	454
Premiums earned, for own account	**0**	**1**	**1,267**	**4,882**	**6,150**
Claims incurred, for own account					
Claims paid	-1	0	-694	-4,135	-4,830
Reinsurers' share	-	-	139	1,941	2,080
Claims handling expenses	0	0	-27	-176	-203
Change in provision for outstanding claims	1	0	-47	-1,867	-1,913
Reinsurers' share	-	0	60	325	385
Claims incurred, for own account	**0**	**0**	**-569**	**-3,912**	**-4,481**

1) Excludes other operating costs that are not related to the insurance operations.

Note 1 Accounting principles

General information

This annual report was issued per December 31, 2020 and refers to Sirius International Försäkringsaktiebolag (publ), which is an insurance company with its registered office 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 was 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. The Company is included by the consolidated financial statements created by the Parent Company Sirius International Insurance Group Ltd with its registered office in Hamilton, Bermuda, registration number 39821.

Compliance with standards and law

The 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.

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, 2020 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 Company's financial reports.

IFRS 16 Leases has replaced IAS 17 Leases and related interpretations. The standard will come into effect on January 1, 2019 and is adopted by EU. According to RFR 2, companies can in legal person choose not to account according to IFRS 16. Sirius International as legal person has chosen not to apply IFRS 16.

IASB has on May 18, 2017 published a new standard concerning insurance contracts. IFRS 17 will be applied to accounting of insurance contracts, reinsurance contracts and investing contracts with refunds. The standard will replace IFRS 4, which was an interim standard focusing on disclosures. IFRS 17 will become effective on January 1, 2023 but has yet to be adopted by EU. The Swedish Financial Supervisory Authority have declaired that unlisted insurance companies will not need to apply IFRS 17, and Sirius International as legal person is planning to not apply IFRS 17.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities. The standard is adopted by EU and it replaces certain parts of IAS 39 that handles classification and valuation of financial instruments. By amendments to IFRS 4 temporarily exceptions from IFRS 9 during the period 2018-2021 has been permitted. IASB decided during the fall of 2018 to extend this possibility to January 1, 2022. It is of Sirius International's intention to exploit this opportunity.

Assessments and estimates in the financial statements

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

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

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

Insurance contracts and financial instruments

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

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

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

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 Company 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 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 29, 2021. The income statement and balance sheet will be adopted at the General Meeting held in May 2021.

Consolidation principles

Subsidiaries

Shares in subsidiaries and associated companies are reported according to the acquisition 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. Transaction costs are capitalized and is added to the acquisition (shares in subsidiaries).

Associated companies

Associated companies are those companies in which the Company 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.

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 Company's, including the branch offices, 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.

Rates for the most important currencies

	Closing rates	Average rates
USD	8.17	9.20
EUR	10.02	10.50
GBP	11.16	11.83

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 IFRS 15, *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.

Equalization provisions

Since the new Insurance Business act (law 2015:700 12 pt) came into force, the equalization provision have to be dissolved no later than on December 31, 2020. Hence, yearly dissolusions of the reserve has been made since 2016.

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
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 2020 amounted to 0.10%.

Applied interest rates

%	2020	2019
EUR	-0.77 %	1.02 %
GBP	-0.11 %	0.53 %
SEK	-0.36 %	-0.31 %
USD	0.16 %	1.61 %

Investment income

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

Investment expenses and charges

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

Changes in realized and unrealized gains and losses

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

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

Income tax

Income taxes are accounted in accordance 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 in respect of 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, in regards of 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. 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.

Appropriations and untaxed reserves
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.

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.

Intangible assets

Goodwill

Goodwill comprises the amount by which the acquisition cost exceeds the fair value of the Company's participation in the acquired subsidiary's or associate's identifiable net assets at the point in time of the acquisition. Goodwill is written off in accordance with ÅRL and is reported linearly in the income statement over the asset's estimated useful life. The time span of the useful life is reviewed annually. The calculated useful life for goodwill and asset deal goodwill amount to 20 years. Depreciation which deviates from plan is regarded as an appropriation and is recorded under the heading excess depreciation on intangible assets.

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.

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.

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. 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 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 constituded 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 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

<u>Impairment testing of, tangible and intangible assets, and participations in subsidiaries and associated companies</u>

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 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.

<u>Reversal of impairment</u>

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.

<u>Anticipated dividends</u>

Anticipated dividends from subsidiaries are reported in cases where the parent company alone has the right to decide the size of the dividend. Where the parent company has decided on the size of the dividend before the parent company has published its financial reports.

<u>Group contributions and shareholder’s contribution</u>

The company records group contributions and shareholder contributions in accordance with the swedish financial reporting board (RFR 2).

Shareholder contributions are transferred directly to shareholders equity for the recipient and capitalized into shares and participations for the donor, to the extent that impairment is not required. Group contributions are reported according to financial significance. This means that group contributions have been provided and received in order to minimize the Group’s total tax are recorded directly against retained earnings after deduction of its current tax effect.

Group contributions that are equal to dividend are reported as a dividend. This means that the group contribution received and its current tax effect are recorded in the income statement. Group contributions paid and their current tax effect are recorded directly against retained earnings. Group contributions that are equal to shareholder contributions are for the receipient reported directly aginst retained earnings with adjustment for current tax effect. The donor reports the group contribution and its current tax effect as an investment in participations in group companies, to the extent that impairment is not required.

Other provisions

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

Pensions and similar commitments

The Company's 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 Company 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 Company 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.

In Sweden only employees born 1971 or earlier are covered by defined benefit plans and, thus, form part of the FTP2. Staff employed before January 1, 2004 have the right to retire from the age of 64. These plans are also defined benefit plans and a liability is reported in the balance sheet.

For defined contribution pension plans, the Company pays fees to publicly or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The Company 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 Company.

The 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 income statement.

Remuneration upon termination of employment

Remuneration upon employment of contract is payable when an employee's employment is terminated by the Company before the normal retirement age or when an employee voluntarily accepts the termination of employment in exchange for such remuneration. The Company 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.

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 has the objective of overseeing and advising risk management processes including:

- Establishment of risk tolerances
- Undertaking Risk Identification and Risk Ranking
- Quantification and subsequent monitoring of exposures
- Implementation of risk reduction/reward expansion strategies
- Identification and management of emerging risks
- Risk reporting
- Review and challenge the ORSA reports prior to the Board's review, challenge and approval

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 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 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 (CUO) 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 improve net profit margin and adjust risks to acceptable risk tolerance levels.

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, and active use of retrocession.

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 with 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 an underwriting control unit reports to the CUO. 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, flood 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. Since 2012 Sirius is using a self-developed 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 with a starting point in stochastic models but incorporating actuarial analysis of loss history as well as underwriting expertise. There is a process in place to evaluate and select a model of choice per territory and peril. Based on the tool, reports and analyses can be produced on an "as required" basis demonstrating the various degrees of likelihood of estimated losses. Everything from average losses per year to losses that are only expected to occur once every 10,000 years can be stochastically estimated using these models. In addition to estimating losses from single events, aggregate losses across one year, or other time periods can also be estimated.

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

As a complement, Sirius utilizes a system ("AggTool") linked to the underwriting system. In this system the company's exposure is measured by tracking total exposed limits by key perils, territory and class of business.

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 Largest Annual Occurrence Loss Exceeding Probability at the end of Q4 2020 and Q4 2019.

Table: Sensitivity analysis – losses divided by geographical area and return periods (MSEK)

	2020		2019	
	Once per 100 years	**Once per 250 years**	**Once per 100 years**	**Once per 250 years**
Global – Gross	4,766	5,730	4,691	5,889
Global – Net	1,898	2,222	2,028	2,331
Europe – Gross	4,047	5,310	4,500	5,693
Europe – Net	1,211	1,549	1,620	2,015
US – Gross	3,854	4,500	3,250	3,830
US – Net	1,696	2,090	1,712	1,985

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") from the extreme tail of the potential losses, as estimated in our pricing platform based on models and actuarial methods. 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. TVaR measures the probability-weighted average, or expected value, of simulated event losses at or exceeding a specified VaR and is an appropriate statistic for measuring catastrophe risk. TVaR is a conditional expectation that reveals how great financial losses could be, on average, given that a severity threshold has been exceeded. The calculation of the NFI begins with estimated catastrophe 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.

For Aviation, 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.

From mid 2020 Sirius has implemented exclusions for communicable disease exposure on all property business as well as on all other lines of business where exclusions are relevant.

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 company has asbestos and environmental claims amounting to MSEK 26 (25 at the end of 2019) net in the balance sheet. These claims are actively managed and are subject to in depth analyses, the latest during the second half of 2020.

Historical Loss Reserve Trends

The table below shows the historical claim cost development by underwriting year for the ten most recent years. Normally the exposure is earned during two calendar years, thus the claim cost will continue to increase substantially during the first year after the underwriting year. When reading the table, it should be noted that amounts in other currencies are converted to the closing exchange rate for 2020. The table below is thus not directly comparable to the income statement. The amounts shown do not include internal claims adjustment expenses.

10-year table [MSEK]

Claims, gross underwriting year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Estimated claims:											
at the close of the calendar year	2,399	2,207	2,458	1,879	1,795	2,055	3,290	3,602	4,282	4,720	
1 year later	3,558	2,882	3,399	2,738	2,507	3,694	5,074	6,074	5,426		
2 years later	3,371	2,729	3,199	2,612	2,509	3,829	5,643	6,365			
3 years later	3,179	2,673	3,150	2,638	2,509	3,838	5,786				
4 years later	3,152	2,697	3,143	2,600	2,492	3,816					
5 years later	3,152	2,686	3,135	2,592	2,484						
6 years later	3,128	2,665	3,102	2,569							
7 years later	3,106	2,685	3,092								
8 years later	3,104	2,677									
9 years later	3,111										
Current estimate of total claims	3,111	2,677	3,092	2,569	2,484	3,816	5,786	6,365	5,426	4,720	
Total paid	3,056	2,548	3,017	2,458	2,400	3,624	5,151	4,948	3,037	37	
Claims outstanding[1)]	**55**	**129**	**75**	**111**	**84**	**192**	**635**	**1,417**	**2,389**	**4,684**	**9,772**
2010 and prior years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**591**
Total	-	-	-	-	-	-	-	-	-	-	**10,363**

Claims net of reinsurance (MSEK) underwriting year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Estimated claims:											
at the close of the calendar year	1,850	1,777	1,511	1,199	1,232	1,372	1,577	2,207	2,414	3,009	
1 year later	2,694	2,206	2,127	1,767	1,727	2,744	2,550	2,322	3,341		
2 years later	2,533	2,045	2,006	1,662	1,752	2,913	2,441	2,330			
3 years later	2,343	1,979	1,973	1,686	1,752	2,693	2,434				
4 years later	2,326	2,006	1,974	1,661	1,651	2,684					
5 years later	2,322	1,979	1,966	1,650	1,649						
6 years later	2,306	1,969	1,963	1,639							
7 years later	2,291	1,981	1,978								
8 years later	2,290	1,975									
9 years later	2,297										
Current estimate of total claims	2,297	1,975	1,978	1,639	1,649	2,684	2,434	2,330	3,341	3,009	
Total paid	2,251	1,897	1,930	1,578	1,643	2,670	2,377	2,223	1,514	– 21	
Claims outstanding[1)]	**46**	**78**	**48**	**61**	**6**	**14**	**57**	**108**	**1,827**	**3,030**	**5,276**
2010 and prior years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**514**
Total	-	-	-	-	-	-	-	-	-	-	**5,790**

1) For reconciliation against Balance Sheet, see Note 24.

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 total returns (after-tax) without assuming risk in an amount which might jeopardize the viability of the group's insurance franchise.

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, an amount no less than 100% of Policyholder Liabilities shall be invested in Fixed Income Securities. Furthermore, 90% of which shall be rated no less than 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 2020 yielded a total return of -3.5 percent (3.8 percent in 2019), expressed in SEK. The duration in the portfolio with interest-bearing investments at the end of 2020 was 1.1 years which was lower compared to 2019 (1.6 years). During the year, the portion of shares and participations has decreased compared to 2019. The table below shows the investment assets divided by class of asset, excluding deposits in companies that are reinsured by Sirius.

Table: Investment assets, division by class of asset, percentage split

	2020	2019
Bonds and other interest-bearing securities	50.20	58.69
Shares in associated companies	23.01	18.07
Shares and participations	8.54	15.36
- whereof venture capital companies	*0.84*	-
Derivatives	2.77	0.76
Cash and bank balances	15.48	7.12
Total	**100.00**	**100.00**

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

<u>Interest Rate Risk</u>

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, 2020 and December 31, 2019.

Table: Investment assets, interest rate risk

	Exposure (MSEK)		Scenario, stress test		Capital impact (MSEK)	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Assets in SEK	919	985	100 bp	100 bp	45	43
Assets in EUR	463	379	100 bp	100 bp	3	6
Assets in USD and other currencies	7,658	8,314	100 bp	100 bp	334	100
Total	**9,040**	**9,678**	**-**	**-**	**382**	**108**

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, 2020 and December 31, 2019.

Table: Investment assets, equity risk

	Exposure (MSEK)		Scenario, stress test		Capital impact (MSEK)	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Foreign shares and participations	1,539	2.494	35%	35%	538	873
Foreign subsidiaries and associated companies	4,145	3,114	35%	35%	1,451	1,089
Total	**5,684**	**5,608**	**-**	**-**	**1,989**	**1,962**

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 monitors the currency exposure on an ongoing basis. In addition, the Currency Risk Policy is reviewed and 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 company'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.

Table: Exchange rate exposure – Investment assets (MSEK)

	2020				2019			
	USD	**EUR**	**GBP**	**Other**	**USD**	**EUR**	**GBP**	**Other**
Shares and participations	1,638	-	-	-	2,059	514	-	-
Bonds and other interest-bearing securities	9,798	516	310	93	9,547	409	433	138
Other financial investment assets	1,347	548	-	635	703	70	-	384
Other assets and liabilities, net	-78	819	215	236	1,370	858	100	218
Total assets	**12,705**	**1,883**	**525**	**964**	**13,679**	**1,851**	**533**	**740**
Technical provisions, net	-4,169	-1,670	-214	-1,093	-2,810	-1,585	-119	-1,626
Total liabilities and provisions	**-4,169**	**-1,670**	**-214**	**-1,093**	**-2,810**	**-1,585**	**-119**	**-1,626**
Net exposure before financial hedging with derivatives	8,536	213	311	-129	10,869	266	414	-886
Nominal value currency forwards	-4,901	-	-	-	-5,593	-	-	-
Net exposure after financial hedging with derivatives	**3,635**	**213**	**311**	**-129**	**5,276**	**266**	**414**	**-886**

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.

Table: Sensitivity analysis per currency (MSEK)

		USD	**EUR**	**GBP**	**Other**	**Total**
2020	Change 25 basis points	111	5	7	-	**123**
	Change 10%	364	21	31	-13	**403**
2019	Change 25 basis points	142	6	8	-	**156**
	Change 10%	528	27	41	-88	**508**

<u>Credit risk</u>

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 2020 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.

Table: Investment assets divided per class of asset (MSEK).

	2020	2019
Bonds and other interest-bearing assets	9,040	10,112
- Governments	*2,437*	*2,068*
- Swedish mortgage institutions	*583*	*655*
- Other Swedish issuers	*86*	*94*
- Other issuers	*5,934*	*7,295*
Shares in associated Companies	4,023	2,992
Shares and participations	1,661	2,768
Derivatives	499	131
Total	**15,223**	**16,003**

Table: Fixed income investments, per sector and credit rating

	2020						2019					
Credit quality on classes of investment assets,%	**AAA**	**AA**	**A**	**BBB**	**Not Rated**	**Total**	**AAA**	**AA**	**A**	**BBB**	**Not Rated**	**Total**
Bonds and other interest-bearing securities	**40**	**3**	**15**	**5**	**37**	**100**	**34**	**5**	**17**	**6**	**38**	**100**
- Swedish government	*100*	-	-	-	-	***100***	*100*	-	-	-	-	***100***
- Swedish mortgage institutions	*100*	-	-	-	-	***100***	*100*	-	-	-	-	***100***
- Other Swedish institutions	*58*	-	*14*	-	*28*	***100***	*41*	-	*17*	-	*42*	***100***
- Foreign governments	*98*	*2*	-	-	-	***100***	*98*	*2*	-	-	-	***100***
- Other foreign issuers	*9*	*4*	*22*	*8*	*57*	***100***	*10*	*7*	*23*	*8*	*53*	***100***

Table: Equity investments, divided by geographical area %

	2020	2019
Western Europe	0.85	29.03
North America	98.56	63.37
Scandinavia	0,59	-
Other	-	7.60
Total	**100**	100

Interest-bearing investments, divided by geographical area %

	2020	2019
Western Europe	55.19	42.56
North America	35.70	45.71
Scandinavia	8.36	10.19
Other	0.76	1.54
Total	**100**	**100**

Interest-bearing investments, divided by sector %

	2020	2019
Governments	26.96	20.45
Swedish mortgage institutions	6.45	6.48
Other Swedish issuers	0.95	0.93
Other foreign issuers	65.64	72.14
Total	**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 twice a year and periodically.

The credit risk reserve for bad debts was MSEK 37 at December 31, 2020 (2019: MSEK 29).

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.

	Due for	**<1 Month**	**1-3 Months**	**4-6 Months**	**7-9 Months**	**10-12 Months**	**>1 Year**	**Total**
2020	Net receivables	307	110	55	12	8	43	**535**
2019	Net receivables	371	56	96	-26	3	-2	**498**

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 9 (3) at December 31, 2020 (2019).

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.

Table: Credit rating distribution of reinsurers' share of technical provision (MSEK)

	2020				**2019**			
Rating – Standard & Poor's or equivalent	**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	172	6	166	3	193	5	187	3
AA-	129	0	129	2	156	0	156	3
A+	429	1	428	8	449	2	447	8
A	408	5	403	7	311	8	303	5
A-	3,328	3	3,325	57	4,270	4	4,266	75
BBB+	1,035	841	194	18	0	0	0	0
BBB or lower	169	120	49	3	231	159	72	4
Special approval	124	275	-151	2	124	113	11	2
Total	**5,794**	**1,251**	**4,543**	**100**	**5,734**	**291**	**5,442**	**100**

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' 2020 Retrocession Program.

Table: Credit rating distribution of assumed liabilities from Retrocessionaires (MSEK)

	2020				2019			
Standard & Poor's or equivalent	**Gross**	**Collateral**	**Net**	**Percentage split**	**Gross**	**Collateral**	**Net**	**Percentage split**
AA+	0	0	0	0	0	0	0	0
AA	31	0	31	1	99	0	99	4
AA-	431	0	431[2)]	12	338	0	338	12
A+	1,827	0	1,827[2)]	51	1,502	0	1,502	54
A	674	0	674	19	343	0	343	12
A-	342	0	342[1)]	10	1,979	1,435	544[1)]	20
BBB+	1,326	1,061	265[3)]	7	73	58	15	1
BBB or lower	106	82	24	1	72	109	(37)	-1
Special approval	263	288	-25	-1	149	168	(19)	-1
Total	**5,000**	**1,431**	**3,570**	**100**	**4,555**	**1,770**	**2,785**	**100**

[1)] Additional to above table there are Quota Share reinsurance treaties with Sirius Bermuda Insurance Company Ltd and Sirius America Insurance Company - for details see note 30, transactions with associated companies.
[2)] In addition, unlimited assumed liability under two Non-Proportional reinsurance treaties.
[3)] In addition, unlimited assumed liability under one Quota Share reinsurance treaty being fully collateralized.

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 2020 the duration of interest-bearing investment assets was 1.1 years (1.6 years at the end of 2019) and the duration of insurance liabilities was 2.3 years (2.4 years at the end of 2019). 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 tables below show a more detailed maturity profile in respect of both financial assets and debts.

Table: Liquidity profile - financial assets (Contractual inflows)

	2020						
	On demand	**<3 months**	**3 months – 1 year**	**1-5 years**	**>5 years**	**No duration**	**Total**
Bonds and other interest-bearing securities	-	1,177	1,767	2,315	3,781	-	**9,040**
Shares & participations in Group companies	-	-	-	-	-	4,023	**4,023**
Shares & participations	-	-	-	-	-	1,654	**1,654**
Cash & bank balances	2,789	-	-	-	-	-	**2,789**
Receivables, direct insurance	-	27	8	-	-	-	**34**
Receivables, reinsurance	-	164	3,677	-	-	-	**3,841**
Other debtors	-	-	5	-	-	569	**574**
Prepayments and accrued income	-	19	11	-	-	-	**30**
Total	**2,789**	**1,387**	**5,467**	**2,315**	**3,781**	**6,246**	**21,985**

	2019						
	On demand	<3 months	3 months – 1 year	1-5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities	-	1,074	1,288	3,588	4,162	-	**10,112**
Shares & participations in Group companies	-	-	-	-	-	2,992	**2,992**
Shares & participations	-	-	-	-	-	2,768	**2,768**
Cash & bank balances	1,226	-	-	-	-	-	**1,226**
Receivables, direct insurance	-	210	35	-	-	-	**245**
Receivables, reinsurance	-	469	3,759	-	-	-	**4,228**
Other debtors	-	-	11	-	-	904	**915**
Prepayments and accrued income	-	9	3	1	-	-	**13**
Total	**1,226**	**1,762**	**5,096**	**3,589**	**4,162**	**6,664**	**22,499**

Table: Liquidity profile - financial debts (Contractual outflows)

	2020						
	On demand	<3 months	3 months– 1 year	1-5 year	>5 years	No duration	Total
Payables, direct insurance	-	2	-	-	-	-	**2**
Payables, reinsurance	-	206	1,242	-	-	-	**1,448**
Other creditors	-	-	23	-	-	-	**23**
Accrued expenses and deferred income	-	146	61	65	-	-	**273**
Total	**-**	**354**	**1,326**	**65**	**-**	**-**	**1,745**

	2019						
	On demand	<3 months	3 months– 1 year	1-5 year	>5 years	No duration	Total
Payables, direct insurance	-	2	-	-	-	-	**2**
Payables, reinsurance	-	162	1,401	-	-	-	**1,563**
Other creditors	-	-	34	-	-	456	**490**
Accrued expenses and deferred income	-	40	17	68	-	-	**126**
Total	**-**	**204**	**1,452**	**68**	**-**	**456**	**2,181**

Table: Liquidity profile – Technical provisions

Estimated claim payments, net, excluding ULAE

	<3 months	3 months– 1 year	1-5 year	>5 year	Total
2020	742	2,021	3,546	568	**6,877**
2019	563	1,642	3,088	508	**5,801**

Operational Risk Management

The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

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 the departments in the first line of internal control 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 an undertaking may suffer as a result of not complying with laws, regulations and administrative provisions, or failure to comply with internal policies and procedures".

The responsibility for Sirius' compliance with internal and external regulation lies with all employees. The business organization is responsible for managing compliance risks and for reporting of compliance risks to the operationally independent Compliance function. The Compliance function supports the Board of Directors and the business organization by informing, advising and monitoring compliance issues and risks throughout the company. 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 (CCO) and to take specific account of any applicable local regulatory requirements. The Compliance function also includes the Data Protection Officer (DPO), who monitors and supports the business on General Data Protection Regulation (GDPR) compliance.

Supervision and Regulations

Sirius is subject to regulation and supervision by the Swedish Financial Supervisory Authority (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 and the Insurance Distribution Directive (IDD). The SFSA and the Bermuda Monetary Authority perform group supervision over Sirius at EU and global level respectively.

During the year, the Compliance function continued to focus on the GDPR and on the IDD alongside with Solvency II and the UK exit from the European Union (Brexit). New for 2020 were actions related to implementation of new EIOPA guidelines on Outsourcing to Cloud Service Providers and guidelines on Information and Communications Technology Governance and Security. The Compliance function also took part in actions related to the change in ownership structure of the Sirius Group.

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 investment operations over the course of a one-year period
- 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

Financial strength rating

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.

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

Table: Financial strength ratings at year-end

	2020		2019	
	S&P[1)]	**A.M. Best[2)]**	**S&P[1)]**	**A.M. Best[2)]**
Financial Strength Rating	A-	A-	A-	A
Outlook	Negative	developing	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

	2020	2019
Direct insurance, Sweden	1	1
Direct insurance, other EES	38	43
Direct insurance, other countries	1,368	1,791
Premiums for assumed reinsurance	8,064	8,284
Premium income before ceded reinsurance	**9,472**	**10,119**
Premium for ceded reinsurance	-3,073	-6,230
Premium income after ceded reinsurance	**6,399**	**3,889**

Note 4 Claims incurred, for own account

Claims incurred for the year's operations

	2020			2019		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	-1,201	165	-1,036	-2,620	2,013	-607
Loss portfolios	476	0	476	501	0	501
Change in provision for incurred and reported claims	-2,269	-76	-2,345	-3,280	1,198	-2,082
Change in provision for incurred but not reported claims (IBNR)	-3,836	2,091	-1,745	-2,168	627	-1,541
Claims handling expenses	-203	0	-203	-27	0	-27
Total claims for the year's operations	**-7,033**	**2,180**	**-4,853**	**- 7,594**	**3,838**	**-3,756**

Claims incurred for previous year's operations

	2020			2019		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	-3,653	1,915	-1,738	-5,101	2,386	-2,715
Loss portfolios	-452	0	-452	-487	3	-484
Change in provision for incurred and reported claims	2,387	-19	2,368	2,388	252	2,640
Change in provision for incurred but not reported claims (IBNR)	1,805	-1,611	194	2,466	-397	2,069
Claims handling expenses	0	0	0	-135	0	-135
Total claims incurred for previous year's operations	**87**	**285**	**372**	**-869**	**2,244**	**1,375**
Total claims incurred	**-6,946**	**2,465**	**-4,481**	**-8,463**	**6,082**	**-2,381**

Total claims paid

	2020			2019		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	-4,854	2,080	-2,774	-7,721	4,399	-3,322
Loss portfolios	24	0	24	14	3	17
Claims handling expenses	-203	0	-203	-162	0	-162
Total claims paid	**-5,033**	**2,080**	**-2,953**	**-7,869**	**4,402**	**-3,467**

Change in provision for outstanding claims

	2020			2019		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Change in provision for incurred and reported claims	118	-95	23	-892	1,450	558
Change in provision for incurred but not reported claims (IBNR)	-2,031	480	-1,551	298	230	528
Total change in provision for outstanding claims	**-1,913**	**385**	**-1,528**	**-594**	**1,680**	**1,086**

Note 5 Operating costs

Specification of income statement item operating costs

	2020	2019
Acquisition costs	-2,096	-2,256
Change in prepaid acquisition costs (+/–)	24	-4
Administrative expenses	-814	-518
Provisions and profit shares in ceded reinsurance (–)	729	663
Total operating costs	**-2,157**	**-2,115**

Other operating costs

	2020	2019
Operating costs	-2,157	-2,115
Claims handling expenses included in claims paid	-203	-162
Asset management costs included in Investment expenses	-40	-46
Expenses for land and buildings included in Investment expenses, net	-2	-3
Other operating costs	-47	-11
Total other operating costs	**-2,449**	**-2,337**

Total operating costs per type

	2020	2019
Direct and indirect personnel costs	-579	-481
Premises costs	-54	-52
Depreciation/amortization	-25	-38
Other expenses related to operations	-1,791	-1,766
Total other operating costs	**-2,449**	**-2,337**

Note 6 Investment income

	2020	2019
Dividend income from:		
Foreign shares and participations	43	305
Interest income		
Bonds and other interest-bearing securities	218	159
Other interest income	80	82
- 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)	-	312
Capital gains and reversed write-downs (net)		
Foreign shares	-	80
Interest-bearing securities	**27**	**12**
Derivatives	181	-
Total return on capital, income	**549**	**950**

Note 7 Unrealized gains and losses on investments

	2020	2019
Foreign shares and participations	-8	-355
Derivative financial instruments	371	419
Gain on Currency	-1,078	422
Total unrealized gains and losses on investments	**-715**	**486**

Note 8 Investment expenses and charges

	2020	2019
Operating expenses for land and buildings	**-2**	**-3**
Asset management costs	**-40**	**-46**
Interest expenses		
Other interest expenses	-45	-22
Capital losses on foreign exchange (net)	**-242**	**-**
Capital losses		
Foreign shares and participations	-80	-
Sales and liquidation of Group and associated companies	-	-135
Derivative financial instruments	-	-832
Impairment of investment assets	-	-
Total	**-409**	**-1,038**

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

Financial assets

2020	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	-40	-	-	-	**-40**
Derivative financial instruments	-	552	-	-	**552**
Bonds and other interest-bearing securities	-	-	182	-	**182**
Deposits with cedants	-	-	-	13	**13**
Cash and bank balance	-	-	-	2	**2**
Total	**-40**	**552**	**182**	**15**	**709**

2019	Financial assets identified 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	525	-	-	-	**525**
Derivative financial instruments	-	-152	-	-	**-152**
Bonds and other interest-bearing securities	-	-	307	-	**307**
Deposits with cedants	-	-	-	10	**10**
Cash and bank balance	-	-	-	25	**25**
Total	**525**	**-152**	**307**	**35**	**715**

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 MSEK –768 (342), of which MSEK -1,247 (231) refer to exchange rate gains/losses on financial assets. Exchange rate gains/losses on liabilities and other assets amount to MSEK 479 (111).

Note 10 Taxes

Income tax recognized in income statement

	2020	2019
Current tax expense (-)[/income (+)]		
Current tax expenses	-3	-105
Current tax adjustment attributable to previous years	-15	6
Deferred tax expense (-)[/income (+)]		
Deferred taxes	23	74
Additional tax safety reserve [1)]	6	6
Total tax expense (-)/income (+)	**11**	**-19**

1) Refers to temporary standard income on safety reserves.

Reconciliation of effective tax

Reconciliation of effective income tax rate compared to the Swedish income tax rate:

	2020	2019
Tax according to applicable tax rate for the Parent Company	21.4 %	21.4 %
Effects of foreign tax rates		
Effects from change in tax rates [2)]	0.0%	1.3 %
Tax effect from non-deductible expenses	-0.4%	-13.2 %
Tax effect from non-taxable income	7.7%	28.9 %
Permanent yearly tax on safery reserve	-1.9%	-3.4 %
Current tax regarding previous years	-2.9 %	1.8 %
Reconciliation of tax loss carry-forwards related to previous years and temporary differences	- 22.0%	0.4 %
Reported effective tax	**1.9%**	**-5.6%**

2) Whereof 1.1% (1.7%) refers to estimated additional tax on temporary standard income on safety reserves.

Reported deferred tax assets and deferred tax liabilities

	Deferred tax assets		Deferred tax liabilities		Net	
	2020	2019	2020	2019	2020	2019
Personnel-related provisions	46	29	-	-	46	29
Other provisions	184	38	-	-	184	38
Future deducted foreign tax	66	234			66	234
Deferred tax balances	**296**	**301**	**-**	**-**	**296**	**301**

Changes in deferred tax

	2020	2019
Opening balance	301	234
Recognized in income statement	29	74
Recognized in other comprehensive income	13	-30
Reclassification	-47	23
Closing balance	**296**	**301**

Note 11 Intangible assets

	2020			2019		
	Intangible assets –IT Capitalized expenditure for development work	**Acquired intangible assets - Goodwill**	**Total**	**Intangible assets –IT Capitalized expenditure for development work**	**Acquired intangible assets Goodwill**	**Total**
Accumulated acquisition value						
Opening balance January 1	306	87	394	306	87	394
Acquisition for the year	-	-	-	-	-	-
Disposal for the year	-	-	-	-	-	-
Closing balance December 31	**306**	**87**	**394**	**306**	**87**	**394**
Accumulated amortization and impairment						
Opening balance January 1	-294	-87	-381	-280	-83	-363
Depreciation for the year	-7	-	-7	-14	-4	-19
Impairment for the year	-	-	-	-	-	-
Closing balance December 31	**-301**	**-87**	**-388**	**-294**	**-87**	**-381**
Carrying amount						
Per January 1	12	0	12	27	4	31
Per December 31	**5**	**0**	**5**	**12**	**0**	**12**

Operating expenses	-7	-	-7	-14	-	-14
Other expenses	-	-	-	-	-4	-4
Total	**-7**	**-**	**-7**	**-14**	**-4**	**-19**

The company's goodwill derive from the acquired operation in Belgium, which is an identifiable cash generating unit. The amount refers 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.

Note 12 Land and buildings

	2020	2019
Accumulated acquisition cost		
Opening balance January 1	34	34
Acquisitions	0	0
Closing balance December 31	**34**	**34**
Accumulated depreciation		
Opening balance January 1	-28	-26
Depreciation for the year	-1	-2
Closing balance December 31	**-29**	**-28**
Carrying amount		
Per January 1	6	8
Per December 31	**5**	**6**

The 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%**	
		2020	**2019**
Sirius Rückversicherungs Service GmbH	Hamburg, Germany	100	100
Sirius Belgium Réassurances S.A.	Liège, Belgium	100	100
S.I. Holdings (Luxembourg) S.à r.l.	Luxembourg	100	100
Sirius International Managing Agency Ltd.	London, Great Britain	100	100
Sirius Insurance Advisory Zurich GmbH	Zurich, Switzerland	100	100
Sirius International Corporate Member Ltd	London, Great Britain	100	100
White Sands Holdings (Luxembourg) S.à r.l.	Luxembourg	100	100

Accumulated acquisition cost	**2020**	**2019**
Beginning of year	4,287	11,761
Capital contributions	1,031	0
Repayment of paid-up capital	-	-1,873
Companies dissolved	-	-
Selling of majority ownership and reclassification of remaining shares	-	-5,601
End of year	**5,318**	**4,287**
Accumulated impairments		
Beginning of year	-1,295	-1,295
Companies dissolved	-	-
End of year	**-1,295**	**-1,295**
Carrying amount December 31	**4,023**	**2,992**

Subsidiaries' shareholders' equity

2020

Name of subsidiary	**Shareholders' equity**	**Shares%**	**Number of shares**	**Book value**	**Profit/loss**
Sirius Rückversicherungs Service GmbH	3	100	Share capital total €51,129 consisting of 1 share with nom. value €51,129	0	9
Sirius Belgium Réassurances S.A.	12	100	Share capital total €1,245,681 consisting of 700,000 shares without nom. value	13	-0
Sirius Insurance Advisory Zurich GmbH	5	100	Share capital total CHF 20,000 consisting of 1 shares with nom. value CHF 20,000 per share.	0	2
S.I. Holdings (Luxembourg) S.à r.l. 1)	2,476	100	Share capital total SEK 105,693,172 consisting of 105,693,172 shares with nom. value SEK 1 per share	2,959	-453
Sirius International Managing Agency Ltd.	7	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	4	-1
Sirius International Corporate Member Ltd.2)	-9	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	1,031	-602
White Sands Holdings (Luxembourg) S.à r.l.1)	15	100	Share capital total SEK 145,055 consisting of 145,055 shares with nom. value SEK1 per share	15	-0
Total	**2,509**			**4,023**	**-1,046**

2019

Name of subsidiary	**Shareholders' equity**	**Shares%**	**Number of shares**	**Book value**	**Profit/loss**
Sirius Rückversicherungs Service GmbH	23	100	Share capital total €51,129 consisting of 1 share with nom. value €51,129	0	5
Sirius Belgium Réassurances S.A.	13	100	Share capital total €1,245,681 consisting of 700,000 shares without nom. value	13	-0
Sirius Insurance Advisory Zurich GmbH	3	100	Share capital total CHF 20,000 consisting of 1 shares with nom. value CHF 20,000 per share.	0	3
S.I. Holdings (Luxembourg) S.à r.l. 1)	2,704	100	Share capital total SEK 105,693,172 consisting of 105,693,172 shares with nom. value SEK 1 per share	2,959	345
Sirius International Managing Agency Ltd.	8	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	4	-1
Sirius International Corporate Member Ltd.	-712	100	Share capital total £1 consisting of 1 share with nom. value £1 per share	0	-352
White Sands Holdings (Luxembourg) S.à r.l.1)	-1	100	Share capital total SEK 145,055 consisting of 145,055 shares with nom. value SEK1 per share	15	-0
Total	**2,038**			**2,992**	**-1**

1) Book value is greater than shareholder's equity since the Company's loss carryforwards are not included in local ledgers.
2) Book value is greater than shareholder's equity since the Company's value can be supported by valuation model.

Note 14 Shares and participations in associated companies

Name of associated companies	Registered offices	Number of shares		Participating interest % [1]	
		2020	2019	2020	2019
BE Reinsurance Ltd	Hong Kong	124,500,000	124,500,000	24.9	24.9

1) Voting share and participating interest are equal.

Change during the year

	2020	2019
Beginning of the year	122	122
Selling of shares	-	-0
Carrying amount December 31	**122**	**122**

Note 15 Investments in shares and participations

Fair value		Acquisition cost	
2020	2019	2020	2019
1,539	2,646	1,772	2,629

For further information regarding financial instruments, see Note 19.

Note 16 Bonds and other interest-bearing securities

	Fair value		Amortized cost	
	2020	2019	2020	2019
Swedish government	213	204	213	209
Swedish mortgage institutions	583	655	579	660
Other Swedish issuers	86	94	86	94
Foreign governments	2,224	1,864	2,435	1,924
Other foreign issuers	5,934	7,294	6,502	7,062
Total	**9,040**	**10,112**	**9,815**	**9,949**
Of which listed	*5,789*	*6,325*	*6,166*	*6,229*
Difference compared to nominal value				
Total excess amount	177	1,189	111	75
Total shortfall	0	116	8	34

Note 17 Derivative financial instruments

	2020	2019
Currency derivatives, Sirius Bermuda Insurance Company Ltd.	495	128
Other derivatives, Emergent Capital Inc.	4	3
Total	**499**	**131**

Currency derivatives of nominal MUSD 600 against SEK mainly concern contracts with internal counterparties.

The company has on November 29, 2019 entered into an internal currency hedging agreement with Sirius Bermuda Insurance Corporation Ltd. 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 9.3002. Through foreign exchange options, the currency forward transactions are settled on the basis of an exchange rate cap of 15.933 SEK/USD and an exchange rate floor of 6.8284 SEK/USD.
The company has on November 29, 2019 sold MUSD 200 on a forward basis to SBDA, with a term of approximately three years at the exchange rate 9.1897. Through foreign exchange options, the currency forward transactions are settled on the basis of an exchange rate cap of 15.3162 SEK/USD and an exchange rate floor of 6.5641 SEK/USD.
The company has on November 29, 2020 sold MUSD 200 on a forward basis to SBDA, with a term of approximately three years at the exchange rate 8,4303. Through foreign exchange rate options, the currency forward transactions are settled on the basis of an exchange rate cap of 14.1632 SEK/USD and an exchange rate floor of 6.0699 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

	2020	2019
Other debtors, group companies [1)]	526	903
Other debtors	59	130
Total [2)]	**585**	**1,034**

[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

	2020					
	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	3,251	-	-	3,251	3,251	3,667
Shares and participations	-	1,539	-	1,539	1,539	1,772
Derivative financial instruments [1]	-	499	-	499	499	-
Bonds and other interest-bearing securities	-	-	5,789	5,789	5,789	6,173
Cash and bank balances	-	2,789	-	2,789	2,789	2,789
Accrued income	22	-	21	43	43	43
Other debtors	585	-	-	585	585	585
Total	**3,858**	**4,827**	**5,810**	**14,494**	**14,494**	**15,029**

	2019					
	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	3,787	-	-	3,787	3,787	3,721
Shares and participations	-	2,646	-	2,646	2,646	2,633
Derivative financial instruments [1]	-	131	-	131	131	-
Bonds and other interest-bearing securities	-	-	6,325	6,325	6,325	6,236
Cash and bank balances	-	1,226	-	1,226	1,226	1,226
Accrued income	3	-	44	47	47	47
Other debtors	1,034	-	-	1,034	1,034	1,034
Total	**4,824**	**4,003**	**6,369**	**15,196**	**15,196**	**14,897**

[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 intrest-bearing securities are classified based on trading.

Financial liabilities

	2020				2019			
	Other financial liabilities	Financial liabilities valued at fair value via the income statement	Carrying amount	Fair value	Other financial liabilities	Financial liabilities valued at fair value via the income statement	Carrying amount	Fair value
Other liabilities	271	-	271	271	490	-	490	490
Accrued expenses	81	-	81	81	77	-	77	77
Derivative financial instruments	-	-	-	-	-	-	-	-
Total	352	-	352	352	567	-	567	567

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

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Shares and participations	53	-	1,486	1,539
Derivative financial instruments	-	-	499	499
Bonds and other interest-bearing securities	2,067	4,103	2,870	9,040
Total	**2,120**	**4,103**	**4,855**	**11,078**

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Shares and participations	1,047	-	1,599	2,646
Derivative financial instruments	-	-	131	131
Bonds and other interest-bearing securities	1,837	4,488	3,352	9,677
Total	**2,884**	**4,488**	**5,082**	**12,454**

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.

The tables below shows 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).

		2020		
Level 2	**Shares and participations**	**Derivatives**	**Bonds**	**Total**
Opening balance January 1, 2020	-	-	4,488	4,488
Total reported profit/loss:				
- reported in profit/loss for the year [1)]	-	-	-306	-306
Acquisition cost, purchase	-	-	2,940	2,940
Proceeds of sale, sales	-	-	-3,019	-3,019
Transfer from Level 2	-	-	-	-
Transfer into Level 2	-	-	-	-
Closing balance December 31, 2020	**-**	**-**	**4,103**	**4,103**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2020 [1)]	-	-	-306	-306

		2020		
Level 3	**Shares and participations**	**Derivatives**	**Bonds**	**Total**
Opening balance January 1, 2020	1,599	131	3,352	5,082
Total reported profit/loss:				
- reported in profit/loss for the year [1)]	-90	549	-482	-22
Acquisition cost, purchase	4	-	-	4
Proceeds of sale, sales	-27	-181	-	-208
Transfer from Level 3	-	-	-	-
Transfer into Level 3	-	-	-	-
Closing balance December 31, 2020	**1,486**	**499**	**2,870**	**4,855**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2020 [1)]	-90	549	-482	-22

		2019		
Level 2	**Shares and participations**	**Derivatives**	**Bonds**	**Total**
Opening balance January 1, 2019	7	-	4,409	4,416
Total reported profit/loss:	-	-	-	-
- reported in profit/loss for the year [1)]	1	-	187	188
Acquisition cost, purchase	-	-	2,383	2,383
Proceeds of sale, sales	-8	-	-2,877	-2,885
Transfer from Level 2	-	-	386	386
Transfer into Level 2	-	-	-	-
Closing balance December 31, 2019	**0**	**0**	**4,488**	**4,488**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2019 [1)]	1	-	187	188

Level 3	2019			
	Shares and participations	**Derivatives**	**Bonds**	**Total**
Opening balance January 1, 2019	171	-312	0	-141
Total reported profit/loss:				
- reported in profit/loss for the year [1)]	-65	-415	66	-350
Acquisition cost, purchase	1,505	2	3,286	4,729
Proceeds of sale, sales	-12	856	0	844
Transfer from Level 3				
Transfer into Level 3				
Closing balance December 31, 2019	**1,599**	**131**	**3,352**	**5,082**
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2019 [1)]	-65	-415	-	-480

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

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

Note 20 Tangible assets

	2020	**2019**
Accumulated acquisition cost		
Opening balance January 1	179	176
Acquisition	9	11
Disposals	-5	-8
Closing balance December 31	**183**	**179**
Accumulated depreciation		
Opening balance January 1	-145	-129
Depreciation for the year	-16	-22
Disposals	5	6
Closing balance December 31	**-156**	**-145**
Carrying amount		
Per January 1	34	46
Per December 31	**27**	**34**

Note 21 Deferred acquisition costs

	2020	**2019**
Opening balance January 1	637	614
Capitalization for the year	597	580
Depreciation/amortization for the year	-573	-584
Currency revaluation effect	-83	27
Closing balance December 31	**578**	**637**

Note 22 Untaxed reserves

	2020	2019
Accumulated depreciation in excess of plan		
Opening balance January 1	11	18
Change for the year - goodwill	-	-4
Change for the year – tangible assets	-4	-3
Closing balance December 31	**7**	**11**
Appropriation to safety reserve		
Opening balance January 1	10,220	10,690
Dissolution of safety reserve	-525	- 470
Closing balance December 31	**9,695**	**10,220**
Total	**9,702**	**10,231**

Note 23 Provisions for unearned premiums and unexpired risks

Provisions for unearned premiums

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	2,953	-941	2,012	3,289	-1,311	1,978
Change in provision	705	-455	250	-533	459	-74
Currency revaluation effect	-530	221	-309	197	-89	108
Closing balance	**3,128**	**-1,175**	**1,953**	**2,953**	**-941**	**2,012**

Provisions for unexpired risks

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	71	-54	17	67	-51	16
Change in provision	-2	1	-1	1	-1	0
Currency revaluation effect	-8	7	-1	3	-2	1
Closing balance	**61**	**-46**	**15**	**71**	**-54**	**17**

Note 24 Claims reserve

Provisions for unsettled claims

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers ' share	Net
Opening balance, reported claims	*6,863*	*-3,542*	*3,321*	*5,776*	*-2,055*	*3,721*
Opening balance, incurred but not reported claims (IBNR)	*2,555*	*-1,197*	*1,358*	*2,780*	*-942*	*1,838*
Opening balance	9,418	-4,739	4,679	8,556	-2,997	5,559
Cost for claims incurred – current year	7,032	-2,180	4,852	7,593	-3,838	3,755
Cost for claims incurred – prior year	-86	-285	-371	870	-2,244	-1,374
Claims handling expenses – current year	203	0	203	27	0	27
Claims handling expenses – prior year	0	0	0	135	0	135
Paid claims	4,830	-2,080	2,750	7,707	-4,402	3,305
Currency revaluation effect	-968	551	-417	268	-62	206
Closing balance	**10,363**	**-4,573**	**5,790**	**9,418**	**-4,739**	**4,679**
Closing balance, reported claims	*6,209*	*-3,077*	*3,132*	*6,863*	*-3,542*	*3,321*
Closing balance, incurred but not reported claims (IBNR)	*4,154*	*-1,496*	*2,658*	*2,555*	*-1,197*	*1,358*

Note 25 Equalization provision

	2020	2019
Opening balance January 1	-	13
Provision of the year	-	-13
Closing balance December 31	**-**	**-**

Note 26 Claims handling provision

	2020	2019
Opening balance January 1	166	139
Release of provision made in prior years	-46	-32
Provision for the year	78	55
Currency revaluation effect	-8	4
Closing balance December 31	**190**	**166**

Note 27 Employee benefits

Defined benefit plans

	2020	2019
Pension obligations not covered by plan assets	12	11
Provision for defined benefit pension plans, net	**12**	**11**

The liability in the table above applies to two variations of retirement earlier than at the age of 65 for Swedish employees. 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 defined benefit plans and are reflected in the balance sheet. Actual retirements are regulated when decision about retirement is made. In connection with decision, total retirement premium for the period up to 65 years of age are paid to the Company's pension funds. During the year 0 (5) employee utilized the possibility of early retirement.

Furthermore, the 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. The pension costs are recorded as operating expenses in the income statement. Employees in Sweden born 1972 or later, are covered by a defined contribution plan, FTP1. Employees in other countries are mainly covered by defined contribution plans in which the employer has a responsibility for the employees' pension.

The Company has defined benefit plans in Sweden (collective agreement) which are based on the employees' pension entitlements and length of employment. 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 where the assets are invested in Swedish bonds (37%), Swedish and foreign shares (25%), real-estate (10%), non listed shares (10%) and other investment assets (18%).

Note 28 Other creditors

	2020	2019
Amounts due to group companies [1]	254	456
Other debtors	17	34
Total [2]	**271**	**490**

[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

	2020	2019
Bonds and other interest-bearing securities	4,394	5,592
Cash and bank	968	354
Assets for which policy holders have preferential rights	**5,362**	**5,946**

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 5,362. 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

Nominal amount	2020	2019
Guarantees on behalf of subsidiary	963	1,247
Total	**963**	**1,247**

Note 30 Associated parties

Associated companies within the China Minsheng group

2020

	Premium income, net	Indemnifica tions, net	Purchased/ sold services	Receivables	Payables
Sirius Bermuda Insurance Company Ltd – assumed reinsurance	-591	1,063	-	109	-
Sirius America Insurance Company – ceded reinsurance	17	0	-	-	-
Sirius America Insurance Company – assumed reinsurance	-332	351	-	-	101
International Medical Group Inc	644	-524	-	1	-
Syndicate 1945 – ceded reinsurance	9	0	-	-	-
Syndicate 1945 – assumed reinsurance	0	-1	-	-	-
Fund American Holdings AB – dividend	-	-	-	-	231
Sirius Rückversicherungs Service GmbH – intra group payable	-	-	-3	-	14
Sirius International Insurance Group Ltd – administrative services	-	-	1	0	-
S.I. Holdings (Luxembourg) S.à r.l. – dividends/receivable	-	-	0	26	-
Sirius International Advisory Zurich LLC	-	-	-3	-	4
Syndicate 1945 – intra group receivable	-	-	81	497	-
Sirius Global Services LLC – administrative services	-	-	-41	2	-
Sirius International UK Holdings Ltd	-	-	1	2	-
Sirius International Managing Agency Ltd. - administrative services	-	-	0	2	-
Sirius Capital Markets Inc – administrative services	-	-	-9	0	10
Sirius International Corporate Member Ltd. – intra group receivable	-	-	-	24	0
Sirius Investment Advisors LLC – asset management services	-	-	-1	-	2
Sirius International Holding Company Inc - administrative services	-	-	-9	-	0
Sirius America Re Managers LLC - administrative services	-	-	-123	-	22
Sirius International UK Holding ll LTD – financial services	-	-	121	2,859	-
Sirius Bermuda Insurance Company Ltd - financial services	-	-	120	377	-
Other associated companies	-	-	2	2	4
Total	**-253**	**889**	**137**	**3,901**	**387**

2019	Premium income, net	Indemnifications, net	Purchased/ sold services	Receivables	Payables
Sirius Bermuda Insurance Company Ltd – ceded reinsurance	1,337	-1,597	-	-	-
Sirius Bermuda Insurance Company Ltd – assumed reinsurance	-3,942	4,410	-	-	18
Sirius America Insurance Company – ceded reinsurance	12	0		0	-
International Medical Group Inc	745	-671	-	148	-
Sirius America – assumed reinsurance	0	1	-	1	-
Syndicate 1945 – ceded reinsurance	17	0	-	0	-
Fund American Holdings AB – dividend	-	-	-	-	398
Sirius Rückversicherungs Service GmbH – intra group payable	-	-	-36	-	42
Sirius International Insurance Group Ltd – administrative services	-	-	-3	1	-
S.I. Holdings (Luxembourg) S.à r.l. – dividends/receivable	-	-	284	10	-
Sirius International Advisory Zurich LLC	-	-	-3	-	3
Syndicate 1945 – intra group receivable	-	-	78	496	-
Sirius Global Services LLC – administrative services	-	-	14	2	-
Sirius International UK Holdings Ltd	-	-	1	2	-
Sirius International Managing Agency Ltd. - administrative services	-	-	0	14	-
Sirius Capital Markets Inc – administrative services	-	-	1	-	7
Sirius International Corporate Member Ltd. – intra group receivable	-	-	-	21	-
Sirius Investment Advisors LLC – asset management services	-	-	-4	-	2
Sirius International UK Holdings ll LTD - financial services	-	-	1,127	3,262	-
Sirius Bermuda Insurance Company Ltd – financial services	-	-	2,076	780	-
Other associated companies	-	-	6	5	3
Total	**-1,831**	**2,143**	**3,541**	**4,742**	**473**

Note 31 Average number of employees, salaries and other remunerations

Average number of employees

	2020			2019		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Sweden	66	76	142	68	76	144
UK	40	38	78	40	33	73
Belgium	24	25	49	25	25	50
Switzerland	5	6	11	5	6	11
Shanghai	0	0	0	2	0	2
Singapore	8	15	23	6	13	19
Miami	4	4	8			
Total	**147**	**164**	**311**	**146**	**153**	**299**

Senior management

	2020			2019		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Board and Managing Director	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

	2020	2019
Salaries including bonuses	424	327
Of which expensed bonus and other similar remunerations	*106*	*21*
Pension expenses	64	62
- *Defined contribution plans*	*63*	*63*
- *Defined benefit plans (Note 27)*	*1*	*-1*
Social security contributions, special employer's contributions on pensions	91	82
Total	**579**	**471**

Of which paid remunerations for the year to:

Managing Director	2020	2019
Salaries including bonuses	10	5
Of which paid out bonuses	*6*	*0*
Pension expenses	1	1
- *Defined contribution plans*	*1*	*1*
- *Defined benefit plans*	-	-
Total	**11**	**6**

Board and other senior members of management	**2020**	**2019**
Salaries including bonuses	10	7
Of which paid out bonuses	*4*	*1*
Pension expenses	2	3
- *Defined contribution plans*	*2*	*3*
- *Defined benefit plans*	-	-
Total	**12**	**10**

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 2019 and 2020. If the firm dismisses the Managing Director, six months of severance pay will be provided.

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

	PwC		Ernst & Young	
	2020	**2019**	**2020**	**2019**
Audit assignment[1)]	-4	-3	4	6
Other audit services	0	0	1	0
Tax counseling	0	0	0	0
Other services	0	0	0	0
Total	**-4**	**-3**	**5**	**6**

1) The Company was credited in 2020 by another company in the Group, due to previous costs from PwC relating to consolidated accounts. In 2019, the Company reversed an accrual regarding audit fees for PwC, since invoicing was billed to meantioned Group company.

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

	2020	**2019**
Due for payment within one year	32	37
Due for payment later than one year but within five years	61	92
Due for payment after five years	0	6
Total	**93**	**135**

1) The cost of the period amounts to MSEK 38 (35).

Note 34 Class analysis

Profit/loss per insurance class

Non-Life Insurance

	2020						
	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	1,133	52	78	145	1,408	8,064	9,472
Premium earned, gross	1,341	52	43	115	1,551	7,218	8,769
Incurred claims, gross	-610	-54	-39	-65	-768	-6,178	-6,946
Operating expenses, gross	-647	-9	-24	-38	-718	-1,974	-2,692
Result, ceded reinsurance	-9	-7	1	18	3	378	381
Technical result[1)]	**78**	**-18**	**-19**	**30**	**68**	**-556**	**-488**

	2019						
	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	1,591	47	0	197	1,835	8,284	10,119
Premium earned, gross	1,530	42	10	72	1,654	8,996	10,650
Incurred claims, gross	-814	-66	-13	-84	-977	-7,486	-8,463
Operating expenses, gross	-708	-6	-13	-28	-755	-2,354	-3,109
Result, ceded reinsurance	65	7	0	2	74	314	388
Equalization provision	-	-	-	-	-	13	13
Technical result[1)]	**73**	**-23**	**-16**	**-38**	**-4**	**-518**	**-521**

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

Note 35 Appropriation of profits

Proposed appropriation of profits

For 2020, the Company recorded income of MSEK -1,109 (MSEK -138) before appropriations and taxes. Net income for the year amounted to MSEK -570 (MSEK 320). As of December 31, 2020 retained earnings amounted to MSEK 3,173 (3,781).

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

(in SEK)

- Retained earnings	3,781,459,735
- Non-Restricted reserves	- 46,699,026
- Restricted reserves	7,780,815
- Net income for the year	- 569 908 747
- **Total**	**3,172,632,777**

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

- To be carried forward	3,172,632,777
	3,172,632,777

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

Stockholm, April 29, 2021

David Junius
Chairman of the
Board of Directors

Jeffrey Davis	Jan Onselius	Lars Andersson	Monica Cramér Manhem Managing Director

Our Auditors' Report was submitted on April 29, 2021

Ernst & Young AB

Daniel Eriksson
Authorised Public Accountant
Auditor in Charge

Auditor’s report

To the general meeting of the shareholders of Sirius International Försäkringsaktiebolag (publ), corporate identity number 516401-8136

Report on the annual accounts

Opinions

We have audited the annual accounts of Sirius International Försäkringsaktiebolag (publ) for the year 2020.

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 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The Managements Report is prepared in accordance with the Annual Accounts Act.

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

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the parent company's 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 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.

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 of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of provision for unsettled claims

Information on provisions for unsettled claims are found in note 1 Accounting Principles, note 2 Information on risks, and in note 24 Claims reserve.

Description	*How this matter has been considered in the audit*
As of 31 December 2020, provision for unsettled claims amounted to MSEK 10,553, which constitutes 63% of the company’s total liabilities. Provision for unsettled claims should cover the expected future payments related to all claims incurred, including claims not yet reported, referred to as IBNR provision. The provision for unsettled claims is calculated using statistical methods or through individual assessments of individual claims. The provision future commitments is calculated with actuarial methods. Due to the size of provision for unsettled claims in relation to the company’s total liabilities, and the fact that the valuation requires management make assumptions and estimates, valuation of unsettled claims have been assessed as a key audit matter in our audit.	We have in or audit evaluated the company’s control environment related to the claims reserve process reservation for incurred but not reported damages process. We have further assessed the reasonableness in methods and assumptions used and performed independent analysis of provision for unsettled claims. We have utilized our internal actuarial specialists to assist us in the audit procedures performed over provision for unsettled claims. We have also examined the disclosures made in the financial statements regarding provision for unsettled claims.

Accounting of premium estimates

Information on accounting for premium estimates and premium income are found in note 1 Accounting Principles, note 2 Information on risks, and in note 3 Premium income.

Description	*How this matter has been considered in the audit*
The Company's premiums for assumed reinsurance amounted to MSEK 8,064 in 2020, of which a significant portion is affected by assumptions and estimates of future premium volumes. Since premiums for assumed reinsurance constitutes a significant portion of the Company's premium income, and the fact that the valuation requires management to make assumptions and estimates, accounting of premium estimates has been assessed as a key audit matter in our audit.	We have in or audit evaluated the company's control environment related to the accounting of premium estimates. We have further assessed the reasonableness in methods and assumptions used and performed independent analysis of the estimations made by the Company. We have also examined the disclosures made in the financial statements regarding the accounting of premium estimates.

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 that they give a fair presentation in accordance with 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 that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company'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.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sirius International Försäkringsaktiebolag (publ) for the year 2020 and the proposed appropriations of the company's profit.

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 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 type of operations, size and risks place on the size of the parent company'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 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 fulfill 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Ernst & Young AB (Hamngatan 26), was appointed auditor of Sirius International Försäkringsaktiebolag (publ) by the general meeting of the shareholders on the 15 May 2020 and has been the company's auditor since the 26 April 2018.

Stockholm 29 April 2021

Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant