



White Mountains

– our owners

White Mountains Insurance Group, Ltd.

(White Mountains or the Company) is a financial services holding company with primary business interests in property and casualty insurance and reinsurance. The Company's corporate headquarters and its registered office are located in Hamilton, Bermuda and its principal executive office is located in Hanover, New Hampshire. The Company conducts its business through:

- OneBeacon – specialty and segmented personal and commercial property and casualty primary insurance. OneBeacon's common shares are listed on the New York Stock Exchange under the symbol "OB". White Mountains holds a 72% interest in OneBeacon.
- White Mountains Re – global reinsurance.
- Esurance – personal auto insurance directly marketed and underwritten on the internet.
- White Mountains Financial Services – weather risk management and variable annuity reinsurance.
- White Mountains Advisors – investment management with \$31.9 billion of assets under management.

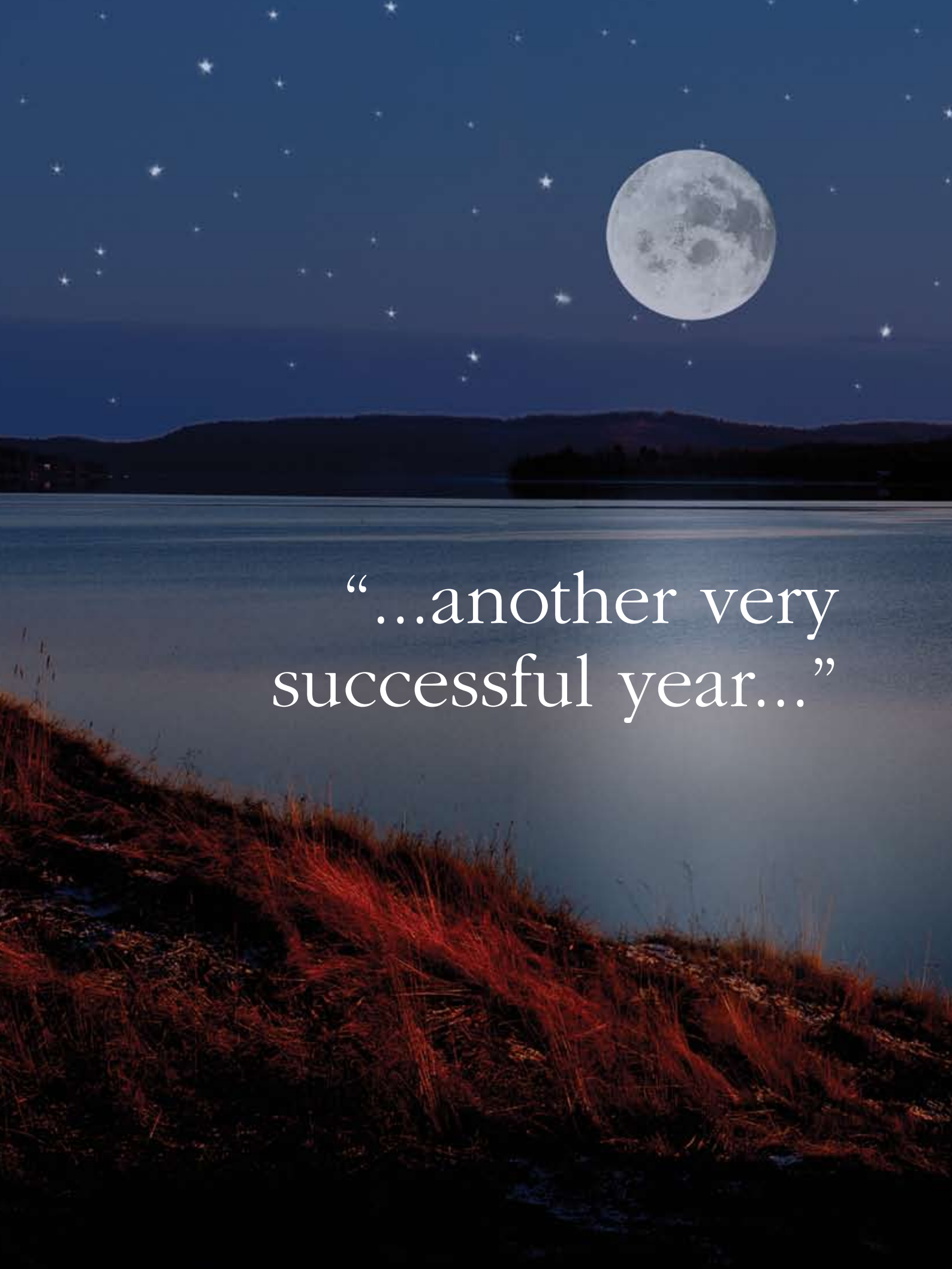
White Mountains' common shares are listed on the New York Stock Exchange and the Bermuda Stock Exchange under the symbol "WTM". Market capitalization as of December 31, 2006 was approximately \$6.2 billion. As of December 31, 2006, White Mountains reported total assets of \$19.4 billion, shareholders' equity of \$4.5 billion, and fully converted tangible book value per shareNGM of \$406.

White Mountains Re Group, Ltd.

White Mountains Re Group, Ltd. (White Mountains Re) is a Bermuda holding company whose operating companies offer capacity for most property, casualty, accident & health, marine, and aviation exposures.

White Mountains Re had \$1.3 billion in net written premiums in 2006 and ended the year with \$2.1 billion in shareholder's equity. Its principal operating companies are:

- Folksamerica Reinsurance Company (Folksamerica) – a U.S.-based global multi-line reinsurance company that employs a conservative reinsurance strategy with specialized underwriting expertise, a diversified worldwide portfolio, and strong operational discipline. Folksamerica is rated "A-" (Excellent) with a stable outlook by A.M. Best, "A-" (Strong) with a stable outlook by Standard & Poor's (S&P), "A3" (Good) with a stable outlook by Moody's Investor Services (Moody's), and "A-" (Strong) with a stable outlook by Fitch Ratings (Fitch).
- Sirius International Insurance Corporation (Sirius) – a Stockholm-based international reinsurer that focuses mainly on property and other short-tailed lines, Sirius is the largest reinsurance company in Scandinavia and a leading reinsurer in Europe. The company is a disciplined underwriter, a strength that has allowed it to be profitable through hard and soft markets. Sirius is rated "A" (Excellent) with a stable outlook by A.M. Best, "A-" (Strong) with a stable outlook by S&P, "A3" (Good) with a stable outlook by Moody's, and "A-" (Strong) with a stable outlook by Fitch.

A serene night landscape featuring a large, bright full moon in a dark blue sky filled with stars. Below the sky is a calm body of water reflecting the moonlight. In the foreground, there is a grassy bank with tall, golden-brown grasses. The overall mood is peaceful and reflective.

“...another very
successful year...”

Comments from the President and CEO

I am pleased to report another very successful year for the Sirius Group, one where we were able to maintain and extend our service to customers while recording our best results ever.

The past two years have seen the worst of times for the reinsurance industry followed by the best of times. In 2005 we faced natural catastrophes unprecedented in the modern era; Sirius was one of few reinsurance companies to return combined ratios below 100. Then 2006 was a particularly benign year, and our ratio was 80%: once again one of the best results in the business. This strong performance was evident throughout the company. Every branch office and every business unit excelled, achieving sizable underwriting profits.

The results speak for themselves with record figures across the board. Net premium income rose by 49% and pre-tax profit including investment income by 65%.

No company in an industry as volatile as reinsurance can guarantee

steady profit growth all the time. It is worth noting, however, that we have a pretty impressive track record. Thirteen of the last fourteen years have produced positive underwriting results, whilst our latest five-year average shows a combined ratio of just 92%. Because we have reinvested most of our profits and did not have to rebuild our capital after the losses of 2005, we have been able to accept an increased level of risk. For our customers, this consistently good underwriting performance means we are able to offer long-term commitment.

Our security ratings were all confirmed during the year: A (Excellent) from A.M.Best; A3 from Moody's; and A- (Strong) from Standard and Poor's. S&P added: "Sirius has consistently outperformed its European peers over an extended period, reflecting its superior focus on system management and its historically conservative approach to risk management."



GÖRAN THORSTENSSON
PRESIDENT & CEO

As ever, it is important to recognize that these achievements are possible only because of the dedication, skills and discipline of Sirius' entire staff and managers. I personally thank them all for their continuing excellent work.

I would also like to register my gratitude to our parent company White Mountains for their support. 2006 was the second full year of our partnership, and it continues to be highly motivational that we all share the same vision and commitment to our industry. Last but not least, we would like to express our appreciation to our customers and brokers. We look forward to being of continued and hopefully increased service in the future.

The 2006/7 renewal season was an encouraging one. Overall, there was a slight softening of rates outside those areas of the United States affected by the 2005 windstorms. Nonetheless, we have good reason to view 2007 with confidence.



GÖRAN THORSTENSSON

PRESIDENT & CEO

2006 at a glance

Financial

Parent Company

Net premium income	\$979 million
Combined ratio	80 %
Income before tax	\$235 million

Group

Net premium income	\$981 million
Combined ratio	84 %
Income before tax	\$164 million
Solvency capital	\$1,441 million

Board of Directors' Report

Sirius International Insurance Corporation (publ) Organisation number: 516401-8136

The Board of Directors and the President of Sirius International hereby submit their annual report for 2006.

Board of Directors' Report

Sirius International Insurance Corporation (publ) (Sirius International) is a wholly owned subsidiary of Sirius Insurance Holding Sweden AB (Sirius Insurance Holding), which is owned by Fund American Holdings AB, Sweden, which is ultimately owned by White Mountains Insurance Group Ltd, Bermuda.

Group

The Group consists of Sirius International Insurance Corporation (publ), Scandinavian Reinsurance Company Ltd, Hamilton, Bermuda (Scandinavian Re), Fund American Reinsurance Company Ltd, Hamilton, Bermuda (Fund American Re) with the subsidiary Fund American Management Company Ltd, Bermuda, and Sirius Belgium Réassurances S.A., Liège, Belgium.

In addition, Sirius International has five offices outside Sweden. These are: the branch office in London - Sirius International Insurance Corporation (publ) UK branch; the branch office in Zurich, Switzerland - Sirius International Insurance Corporation, Stockholm, Zurich branch; the branch office in Singapore - Sirius International Insurance Corporation, Asia branch; the branch office in Liège, Belgium - Sirius International Insurance Corporation, Belgian branch; and in Hamburg, Germany. The operation in Germany is con-

ducted through the agency Sirius Rückversicherungs Service GmbH, which continues to operate on behalf of Sirius International even though the company is owned by Sirius Insurance Holding.

During 2001, a voluntary liquidation of Sirius Belgium Réassurances S.A., Liège, Belgium, was commenced as the company is no longer in active operation. The liquidation has not yet been completed due to a tax dispute.

Operations

Sirius International was established in 1989. Insurance operations, however, commenced in 1945, in the Sirius Insurance Company Ltd. The reinsurance activities were transferred to Sirius International in 1989. Sirius International has been the parent company of the Sirius Group since 1992.

2006 was the best year ever for Sirius International as well as for the reinsurance business as a whole. There were no major losses during the year and the run-off results from previous years have been positive.

As a result of the low claims activity and the favourable results of the run-off from previous years, Sirius International reports a very satisfactory insurance operating result.

Scandinavian Re, which has not accepted new business since 2002, has continued the run-off of the insurance portfolio. Due to a faster-than-expected pay out pattern, there have been further run-off losses, which have not been fully offset by the yield on investments. The company,

therefore, reports a negative insurance operating result of SEK -170 million. As a consequence of these losses and a weakening of the US dollar against the Swedish Krona, the value of the shares in the subsidiary Scandinavian Re in the parent company Sirius International has been written down by SEK 209 million. It has continued to be successful in commuting its insurance commitments.

The parent company combined ratio for the year was 80%.

The overall group combined ratio for the year was 84%.

Gross premium income for the group amounted to SEK 7,988 million (2005: SEK 5,570 million) while premium income for own account amounted to SEK 7,257 million (2005: SEK 4,877 million). The insurance operating result amounted to a profit of SEK 1,082 million (2005: SEK 26 million).

The investment result for the year was modest, mainly due to a realized loss on the sale of shares in the associated company Symetra and unfavourable exchange rate movements, especially those involving the U.S. dollar against the Swedish Krona. The company's exposure to the U.S. dollar will gradually reduce during 2007, partly reflecting a switch to EUR. The equity portfolio of investments in so-called risk capital companies continued to perform very well during the year. The investment result, after allocation of interest to the insurance operations, amounted to a profit of SEK 81 million (2005: SEK 692 million).

The operating result for the group, before appropriations and taxes, amounted to

SEK 1,128 million (2005: SEK 682 million). Total assets amount to SEK 21,816 million (2005: SEK 22,649 million).

The technical result, as well as consolidation in respect of capital strength, is presented in the five-year summary below.

Sirius International expects to report positive insurance operating results in the years ahead. The diversified investment portfolio is expected to contribute to a stable return on investment.

In September 2006 Sirius International underwrote a treaty in respect of Japanese life reinsurance. The treaty is retroceded 100% to a sister company within the White Mountains Group. The underlying insurance risk is the direct insurance company's guarantee to the insureds that the future pension payments will not be less than the insurance premiums paid.

In September 2006 the subsidiary Fund American Re was capitalized with an additional shareholders' contribution of approximately SEK 149 million. The value of the shareholding in the subsidiary Fund American Re thereafter amounts to SEK 717 million in balance sheet of the parent company.

Sirius International continued to prepare for the changeover to the international accounting standards IFRS. This formally took effect on January 1, 2007 and will apply to future annual reports. A more detailed survey of the effects of the coming changeover to the international accounting standard IFRS is to be found under the heading Accounting Principles below.

Events after the closing day

During January 2007 two severe winter storms hit Scandinavia and neighbouring parts of Europe, resulting in substantial damages.

Per

During January 13 and 14 the storm Per hit Scandinavia from the North Sea over the south of Norway, the middle of Sweden and to the Baltic Sea. In Sweden, Skåne, Blekinge, Halland, Småland and Western Götaland were hit by wind gusts of hurricane force in the morning of January 14. The highest measured speed of wind gusts was, according to SMHI (Swedish Meteorological and Hydrological Institute), 40 m/s or 144 km/h. On the whole the storm Per was somewhat weaker than the storm Gudrun in January 2005. For Sirius International the loss is expected to amount to approximately SEK 35 million for own account.

Kyrill

Beginning on January 18 the hurricane Kyrill hit the British Isles before reaching the mainland. Kyrill is considered to be the most severe winter storm to hit Europe since Lothar in December 1999. The strongest hurricane gusts measured 56 m/s or 202 km/h. Kyrill affected a larger area than Lothar. For Sirius International the loss is expected to amount to approximately SEK 175 million for own account.

Results

The parent company reports a result for 2006 before appropriations and taxes of SEK 1,616 million (2005: SEK 648 million).

Net income after tax amounts to SEK 241 million (2005: SEK 553 million).

On 31 December, 2006 the retained earnings of the group amounted to SEK 354 million.

Proposed Appropriation of Earnings

The amount held at the disposal of the General Meeting of Shareholders of the parent company Sirius International is:

Retained deficit	SEK	-7 million
Net income for the year	SEK	241 million
Total	SEK	234 million

The Board of Directors and the President propose that the profit shall be transferred to Retained earnings.

Please refer to the attached income statement and balance sheet and the associated notes.

Income Statement – Group

SEK 000's	Note	2006	2005
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	1	7,987,501	5,570,430
Ceded reinsurance premiums		-730,156	-693,256
Change in the gross provision for unearned premiums		-1,326,579	67,309
Change in the provision for unearned premiums, reinsurers' share		-32,697	43,280
Total earned premiums, for own account		5,898,069	4,987,763
Allocated investment return transferred from the non-technical account		151,848	130,406
Other technical income, for own account		5,461	-11,818
Claims incurred, for own account			
Claims paid			
Gross amount		-3,962,459	-5,185,927
Reinsurers' share		565,290	433,200
Claims handling expenses	20	-96,056	-95,496
Claims paid, for own account		-3,493,225	-4,848,223
<i>Change in the provision for claims, for own account</i>			
Gross amount		777,387	1,201,164
Reinsurers' share		-291,052	187,779
Change in other technical provisions, for own account			
Gross amount		4,976	-3,736
Total claims incurred, for own account		-3,001,914	-3,463,016
Operating expenses	2	-1,971,328	-1,617,592
Operating profit/loss of technical account		1,082,136	25,743
NON-TECHNICAL ACCOUNT			
Balance of technical account		1,082,136	25,743
Investment income/expenses			
Investment income	3a	510,407	1,483,518
Unrealized gains/losses	3b	290,862	-458,134
Investment expenses and charges	4	-568,416	-203,375
Investment income allocated to the technical account		-151,848	-130,406
Total investment income/expenses		81,005	691,603
Other expenses	5	-34,942	-34,942
Result before appropriations and taxes		1,128,199	682,404
Taxes	6	-444,088	-141,370
Net income for the year		684,111	541,034

Balance Sheet – Group

December 31 (SEK 000's)	Note	2006	2005
ASSETS			
Intangible Assets			
Goodwill	7	345,366	380,307
Capitalized software		858	11,417
Total intangible assets		346,224	391,724
Investment assets			
Land and buildings	8	6,597	9,131
<i>Investments in group companies and participating interests</i>			
Shares and participations in associated companies	9	0	2,100,554
Total investments in group companies and participating interests		0	2,100,554
<i>Other financial investments</i>			
Shares and participations	10	1,090,572	1,662,768
Bonds and other interest bearing investments	11	9,832,448	10,056,166
Other financial assets	12	20,447	5,540
Total other financial investments		10,943,467	11,724,474
Deposits with cedents		2,941,113	3,200,431
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	169,660	230,978
Claims outstanding		1,098,725	1,531,670
Total reinsurers' share of technical provisions		1,268,385	1,762,648
Debtors			
Debtors arising out of direct insurance operations	14	79,705	36,348
Debtors arising out of reinsurance operations		907,066	770,482
Other debtors	14	539,310	410,468
Total debtors		1,526,081	1,217,298
Other assets			
Tangible assets	15	13,440	15,969
Cash and bank balance		3,989,285	1,835,206
Total other assets		4,002,725	1,851,175
Prepayments and accrued income			
Accrued interest		201,563	190,854
Deferred acquisition costs		569,285	194,353
Other prepayments and accrued income		10,194	6,106
Total prepayments and accrued income		781,042	391,313
Total assets		21,815,634	22,648,748

December 31 (SEK 000's)	Note	2006	2005
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	16		
Share capital (8,000,000 shares of nom.value SEK 100)		800,000	800,000
Reserve for unrealized capital gains		128,215	370,696
Restricted reserves		6,249,788	5,333,595
Retained earnings		-329,870	222,897
Net income for the year		684,111	541,034
Total shareholders' equity		7,532,244	7,268,222
Technical provisions			
Provisions for unearned premiums	17	2,275,406	1,114,253
Claims outstanding	17	7,755,919	9,450,835
Equalization provision		15,033	21,349
Total technical provisions		10,046,358	10,586,437
Provisions for other risks and expenses			
Taxation provisions	18	2,574,240	2,355,102
Pension provisions		0	188
Total provisions for other risks and expenses		2,574,240	2,355,290
Deposits received from reinsurers		49,604	73,160
Creditors			
Creditors arising out of direct insurance operations	19	73,195	64,222
Creditors arising out of reinsurance operations		1,043,585	1,792,430
Other creditors	19	417,403	451,733
Total creditors		1,534,183	2,308,385
Accrued expenses and deferred income			
Other accrued expenses and deferred income		79,005	57,254
Total shareholders' equity and liabilities		21,815,634	22,648,748
Pledged assets and contingent liabilities	21	3,622,161	4,116,035

Accounting Principles

The annual accounts are prepared in accordance with the Annual Accounts Act, the Act on Annual Accounts for Insurance Companies (ÅRFL), the Swedish Accounting Standards Board recommendations, the Code of Statutes 2003:13 with addition of some imperative paragraphs according to 2004:21 of the Swedish Financial Supervisory Authority, and in conformity with recommendation RR1:00 of the Swedish Financial Accounting Standards Council.

Constitutionality

The Financial Statements are in accordance with the laws and directives cited above.

Principles of consolidation

The consolidated accounts comprise the parent company, Sirius International Insurance Corporation (publ), Scandinavian Reinsurance Company Ltd, Fund American Reinsurance Company Ltd and Sirius Belgium Réassurances S.A.

The consolidated accounts are prepared in accordance with the purchase accounting method. Companies acquired during the year are included in the consolidated profit and loss account with values referring to the period after the acquisition. The results originating from group companies divested during the year are included in the consolidated accounts up to the date of divestiture.

The consolidated accounts and balance sheets of the Group's foreign companies are translated to Swedish kronor at average exchange rates for the year and year-end exchange rates respectively. Translation differences are transferred directly to shareholders' equity.

Taxes

Current taxes

Taxes are calculated individually for each company in accordance with the tax rules in the respective countries. Current taxes also include non-deductible withholding taxes on dividend income.

The foreign branches are taxed individually on their results in their respective countries.

In Sweden the company is taxable for the total income, inclusive of the results from foreign branches.

When the company pays taxes in Sweden on overseas income, a tax credit allowance is granted for the taxes paid abroad. This is to avoid double taxation.

Foreign taxes relate to income from foreign branches and withholding taxes on earnings from foreign investments.

The rule in Sweden permitting taxable income to be reduced through appropriations to untaxed reserves allows the company to offset foreign taxes.

Deferred taxes

The consolidated profit and loss account is stated according to the comprehensive tax allocation method. This means that provisions are made for deferred taxes on income (expenditure) that affect both earnings for the year and taxable income, but in different periods (temporary differences). This is shown under the heading deferred tax liabilities (assets) in the balance sheet.

Tax loss carry forwards are recognised as deferred tax assets if it is likely that they will be utilized in the future.

Appropriations and untaxed reserves

Tax appropriations and untaxed reserves are reported only in the accounts of the parent company and not in the consolidated accounts.

As of 2003 the group contributions are not stated as appropriations in the accounts of the parent company. The group contributions are stated in the income statement as deferred tax cost (28%) and as a withdrawal from retained earnings in shareholders' equity (72%).

The group contributions are stated in accordance with the recommendations of the Swedish Financial Accounting Standards Council.

The tax code in Sweden allows companies to reduce their taxable income through appropriations to untaxed reserves. These reserves become taxable when they are reversed, except for when they are used to cover a loss, or to utilize a tax-loss carry forward.

In accordance with Swedish practice, changes in these reserves are reported in the profit and loss account.

Appropriations to untaxed reserves are shown in the profit and loss account under the heading "Appropriations". The accumulated total of these appropriations is reported in the balance sheet under the heading "Untaxed reserves".

Of untaxed reserves, 28% can be considered as deferred tax liability and 72 % as shareholders' equity. The deferred tax liability can be described as a non interest-bearing liability with an unspecified maturity. Untaxed reserves are stated in the consolidated accounts as consisting of

28% deferred tax and 72% restricted equity. Consequently the consolidated accounts do not include appropriations in the profit and loss account or untaxed reserves in the balance sheet.

In evaluating the company's financial strength, the total value of untaxed reserves can be regarded as risk capital, since losses generally can be covered through reversals of these untaxed reserves, without payment of taxes. The majority of the untaxed reserves consist of the safety reserve. The safety reserve represents collective, voluntary strengthening of the company's technical provisions. Access to this reserve is restricted to coverage of losses and requires the approval of the regulatory authorities.

Goodwill

The goodwill arising from the acquisition Sirius Belgium Réassurances S.A. is depreciated according to plan. The depreciation is done over the estimated lifetime of 20 years. The goodwill arising from the acquisition of the bulk of WASA International (UK) Insurance Company Ltd's business is depreciated according to plan. The depreciation is over the estimated lifetime of 10 years.

Translation of foreign currencies

Current accounting is stated in original currencies. Transactions in currencies other than the local currency are translated in accordance with the following principles: For the financial year 2006 income statement items are translated at the exchange rate of the transaction day and balance sheet items

are translated at year-end exchange rates. The following rates of exchange for the Swedish krona have been used for the most important currencies:

	Closing rate
U.S. dollar	6.86
Euro	9.04
Pound sterling	13.49

Shareholdings in Group companies have been translated at the rate in effect on the date when an investment was made.

Valuation principles

Investment assets

- Buildings and land are valued at acquisition cost with the reduction of calculated depreciation.
- Investment assets in Group companies are valued at acquisition cost.
- Shares and participations are valued at market.
- Bonds and other interest-bearing securities are valued at amortized cost.
- Other financial assets are valued at cost.
- Derivatives are valued at market value.
- Capital gains and losses on interest-bearing assets are valued in accordance with the FIFO principle. Capital gains and losses on shares and participations are valued at average acquisition costs.

Investments in bonds and other interest-bearing securities are based on a long-term approach, in which the return that these instruments offer at date of investment is the decisive factor in making the investments. Therefore, accrued amortized cost most accurately reflects the value at which the assets should be stated. In the case of shares and participations with greater volatility and shorter investment horizons, market value offers the most accurate valuation principle.

Technical provisions

Technical provisions consist of provisions for unearned premiums and unexpired risks, as well as the provisions for claims outstanding.

Provisions for unearned premiums and unexpired risks are calculated pro rata. Calculation of the claims provision is based on available knowledge of individual claims and claims trends. In calculating these provisions, claims not yet reported and claims reported with insufficient amounts are taken into account. Actuarial methods have been used as a basis for calculating the amounts of the provisions.

Allocated interest to insurance

operations

The investment income allocated to insurance operations is calculated using the net insurance liabilities as the base. Net receivables in insurance operations have been deducted from the base. This capital base is distributed by currency. The calculated yields for assets in various currencies have then been used to calculate the return on capital from insurance operations.

Deferred acquisition costs

Acquisition costs are costs that directly or indirectly relate to the acquisition or renewal of insurance contracts. Acquisition costs are deferred only for contracts which are assumed to generate a profit margin to at least absorb these costs. Sirius has chosen to only defer commissions to brokers and cedents. Deferred acquisition costs are calculated pro-rata. Deferred acquisition costs amount to SEK 569 million (2005: SEK 194 million).

Premium Income

Includes both estimated and accounted premium where the company is "on risk". Premiums are earned using the pro-rata temporis method according to the period of the underlying coverage.

Pension obligations

Since 1st January 2005 Sirius applies a pension plan as agreed on between FAO/FTF/Jusek. The pension benefits are secured by insurance.

The Company President has a defined contribution pension plan, secured by insurance. The plan was adjusted 1st July, 2005. Three other members of the management team have since 1st September, 2005, a defined contribution pension plan, secured by insurance.

Sensitivity analyses**Insurance risks**

Prior to the beginning of each fiscal year, the Board of Directors establishes the total maximum exposure allowable for each company in the group within the framework of the Company's Articles of Association. Various claim scenarios have been identified for reinsurance assumed. These scenarios are projected monthly, based on the current portfolio. In the credit insurance sector, the Board has established the maximum exposure for various types of insurance.

In the case of large individual commitments, such as liability for claims resulting from a nuclear disaster, a maximum claim limit has been set.

Ceded reinsurance is utilised in order to increase the capacity as well as to balance the incoming portfolio, and thus avoid fluctuations in the result.

Through an active selection of

reinsurers, the reinsurance risk is limited.

The reserving risk is controlled through actuarial analysis of our portfolio.

Foreign currency

When calculating the net exposure in foreign currencies, market values of all investment assets are adopted. As of December 31, 2006, the net foreign currency exposure, translated to Swedish kronor, as follows:

Cur- rency	Net exposure	Impact of a 10% unfavourable change in Fx-rates
USD	MSEK3,796	MSEK -379 (MSEK -273 when standard tax is applied)
EUR	MSEK 865	MSEK -87 (MSEK -623 when standard tax is applied)
GBP	MSEK 232	MSEK -23 (MSEK -17 when standard tax is applied)

The translation difference, which is included in shareholders' equity, amounted to SEK -152 million.

Equity price risk

The equity share of the investment portfolio has been reduced. At the end of 2006 it represents only approximately 7% of the total investment portfolio. A 10% decline is estimated, reducing the value of the group's equity portfolio by SEK -89 million (SEK -64 million when standard tax rate is applied).

Interest rate risk

Fixed interest rate periods and duration (expressed in years).

	2006			2005		
	Amount SEK 000's	Fixed rate period (years)	Dura- tion	Amount SEK 000's	Fixed rate period (years)	Dura- tion
Bonds and other interest-bearing securities						
CHF (note 11)	23,146	0,14-0,69	1,15	25,559	0,4-1,0	2,070
EUR (note 11)	1,236,973	0,01-0,29	1,81	1,289,312	0,0-0,3	2,62
GBP (note 11)	135,080	0,00-0,84	3,23	139,291	0,1-1,0	4,15
SEK (note 11)	4,299,068	0,01-0,24	2,13	3,844,964	0,2-0,3	2,93
SGD (note 11)	69,496	0,73	0,73	0	0	0
USD (note 11)	4,068,685	0,00-0,32	2,81	4,757,040	0,0-0,2	2,79
Other (note 12)	20,447	0	0	5,540	0,0-0,2	0,13
	9,852,895			10,061,706		

The sensitivity to an increase of one percentage point in interest rates is estimated to amount to SEK -195 million (SEK -140 million when standard tax rate is applied).

Credit risk

Based on the classification used by Standard & Poor's, the credit risk in the portfolio of interest-bearing securities was as follows in 2006 and 2005:

Credit risk in SEK 000's		2006	2005
Interest-bearing securities		(tsek)	(tsek)
CHF	AAA	23,146	25,559
EUR	AAA	1,236,973	945,119
	AA	0	123,492
	A	0	45,672
	Other	0	175,028
GBP	AAA	135,080	41,012
	AA	0	43,185
	A	0	6,862
SEK	Other	0	48,232
	AAA	2,996,586	2,614,204
	AA/A-1	1,062,962	1,080,900
SGD	A	149,586	0
	Other	89,935	149,860
	AAA	69,496	0
USD	AAA	2,934,093	3,493,035
	AA/A-1	479,263	535,788
	A	150,444	129,863
	Other	525,331	603,894
Grand Total	AAA	7,395,374	7,118,929
Grand Total	AA/A-1	1,542,225	1,783,365
Grand Total	A	300,030	182,398
Grand Total	Other	615,266	977,015
Total Interest-bearing securities		9,852,895	10,061,706

(notes 11 and 12)

The average rating of the interest-bearing portfolio was AA+ at the end of 2006. 94% of the total interest-bearing portfolio consist of securities with A- rating or higher. Sirius International's investment policy stipulates the following limitations for the investment portfolio; at least 80% has to be invested in securities with a high credit rating (at least A-) and a good liquidity, 20% at the most may be invested in securities with a lower credit rating (BBB+ or lower) and/or lower liquidity.

Derivatives

The Sirius Group is exposed to the movements of a large number of currencies in relation to the Swedish krona. Currency forward contracts can be used to reduce this exposure and to deal with the cash flow in various currencies.

Interest rate futures can be employed to adapt interest rate risks over the full yield curve. In addition, stock index futures and stock futures can be used to hedge the risk in stock prices.

Currency risk, interest rate risk and stock price risk are measured and evaluated continuously by Sirius' investment managers, as well as by Sirius, to ensure that risk limits are not exceeded. All derivatives are marked to market. At the end of 2006 the Sirius Group has not invested in any derivatives instrument.

Transition to international accounting standards (IFRS)

Sirius International has decided to adapt its reporting to IFRS (International Financial Reporting Standards), effective January 1, 2007. Sirius has elected to apply “Legally restricted IFRS” to its reporting for the legal entity and in the consolidated accounts. “Legally restricted IFRS” means IFRS is applied with the restrictions implied by the Swedish Annual Accounts Act (ÅRL/ÅRFL), the recommendations of the Swedish Financial Supervisory Authority, the recommendations of the Swedish Financial Accounting Standards Council and statements issued by its Emerging Issues Task Force.

In 2006, Sirius International carried out an IFRS project designed to analyze and identify the differences between its current accounting principles and IFRS accounting principles. The project was staffed with specialists in various areas of the company’s operations, so that the differences between the current and coming sets of regulations could be identified.

At present, implementation is under way of the adopted system and the changes in routine, as well as adaptations to the expanded disclosure requirements. The company does not foresee any problems arising with the ongoing transition to IFRS in 2007.

Summary of the effects of a transition to IFRS

In addition to the significantly expanded disclosure requirements, the expected effects on the accounts of the reporting and valuation changes resulting from a transition to IFRS are summarized below:

Investment assets – shares and participations

Shares and participations are valued in accordance with current reporting at fair value in the income statement. Recognition and measurement in accordance with IFRS shall be carried out with application of IAS 39, which in points 9 and 45 specifies four classification categories (a–d) for financial assets, of which two apply to Shares and Participations (a and d). For Sirius International, measurement and recognition will take place primarily in accordance with classification category d: Available-for-sale financial assets.

Investment assets in this category are measured at fair value in the balance sheet. A gain or loss arising from a change in fair value shall, in the category of Available-for-sale financial assets, be recognized directly in shareholders’ equity. Unrealized changes in value in shares and participations, which according to current principles are recognized in the income statement, amounted in the consolidated accounts to a net gain of approximately SEK 291 million for 2006. Of these unrealized value changes, a negative amount of about SEK 37 million would be charged directly to shareholders’ equity.

Investment assets – bonds and other interest-bearing securities

Currently, bonds and other interest-bearing securities are reported mainly at their accrued and acquisition value. Recognition and measurement in accordance with IFRS shall be carried out under the application of IAS 39, which in points 9 and 45 specifies four classification categories (a–d) for financial assets, of which three apply to Shares and Participations (a, b and d). For Sirius International, measurement and recognition will take place primarily in accordance with classification category d: Available-for-sale financial assets. Investment assets in this category are measured at fair value in the balance sheet. A gain or loss arising from a change in fair value shall, in the category Available-for-sale financial assets, be recognized directly in shareholders' equity. Unrealized losses for Bonds and other interest-bearing securities amounted in the consolidated assets to SEK 69 million at year-end 2006. Consequently, under IFRS, these would be recognized directly in equity.

Insurance contracts

IFRS 4, Insurance contracts, is a key standard for Sirius International. It contains principles whereby insurance contracts with insufficient risk transfer between the policyholder and the insurer shall not be reported as insurance contracts. IFRS 4 applies to both insurance contracts and reinsurance contracts. Sirius International has issued a policy that implies a mandatory test to determine that sufficient risk transfer is present in signed contracts to

justify their classification as insurance contracts. For contracts or groups of contracts that are classified as insurance contracts, recognition and measurement will take place in accordance with current principles, with the exception of embedded derivatives and, in certain cases, unbundled deposit components that are to be reported in accordance with IAS 39. For contracts or groups of contracts that are not classified as insurance contracts, reporting and valuation will take place in accordance with IAS 39 (Financial instruments) and/or IAS 18 (Revenue). At year-end 2006, only two insurance contracts were deemed to represent a sufficient transfer of risk. The effects on the balance sheet, estimated at SEK 47 million, consist of a reclassification between actuarial liabilities and financial liabilities. The effects on the income statement and Shareholders' equity are assessed as minimal.

Five-year Summary

GROUP

SEK in millions	2006	2005	2004	2003	2002
Net premium income	7,257	4,877	4,781	5,292	4,961
Net premiums earned	5,898	4,988	4,608	5,344	5,282
Other technical income	5	-12	5	43	119
Allocated interest	152	130	173	188	197
Net claims incurred	-3,002	-3,463	-2,663	-4,192	-3,226
Net operating expenses	-1,971	-1,618	-1,805	-1,607	-2,249
Insurance operating result	1,082	26	316	-224	123
Investment operating result	81	692	597	780	26
Other expenses	-35	-35	-35	-59	-38
Net income for the year	684	541	651	193	24
Net technical provisions	8,778	8,824	8,907	9,065	11,825
Market value on investment assets	17,791	18,862	14,957	14,914	16,160
Insurance operating result					
Claims ratio	51%	69%	58%	78%	60%
Cost ratio	33%	32%	39%	30%	41%
Combined ratio	84%	102%	97%	108%	101%
Investment result					
Investment yield	3%	4%	3%	3%	3%
Total yield	1%	5%	6%	6%	3%
Solvency capital					
Shareholders' equity	7,532	7,268	6,616	6,138	7,034
Deferred tax on untaxed reserves	2,430	2,094	2,081	2,036	2,036
Deferred tax other	0	0	-26	0	-141
Deferred tax on reserve for unrealized capital gains	0	4	44	36	13
Excess values on investment assets					
- Other investment assets	-69	-2	65	-28	138
Total solvency capital	9,893	9,364	8,780	8,182	9,079
Solvency ratio	136%	192%	184%	155%	183%
Capital base	9,628	8,324	8,040	0	0
Required solvency capital	1,154	792	1,302	0	0

PARENT COMPANY

SEK in millions	2006	2005	2004	2003	2002
Net premium income	7,245	4,713	4,213	3,768	3,918
Net premiums earned	5,886	4,739	3,765	3,780	4,134
Allocated interest	152	130	164	175	190
Net claims incurred	-2,762	-3,165	-1,973	-2,351	-2,189
Net operating expenses	-1,961	-1,543	-1,536	-1,284	-1,776
Insurance operating result	1,315	161	421	320	359
Investment operating result	326	511	-109	403	181
Other expenses	-25	-25	-25	-519	-25
Net income for the year	241	553	-70	85	425
Net technical provisions	7,343	7,159	4,588	4,392	4,513
Market value on investment assets	15,314	14,431	11,774	12,184	12,523
Insurance operating result					
Claims ratio	47%	67%	52%	62%	53%
Cost ratio	33%	33%	41%	34%	43%
Combined ratio	80%	99%	93%	96%	96%
Investment result					
Investment yield	3%	4%	3%	3%	6%
Total yield	3%	5%	2%	6%	4%
Solvency capital					
Shareholders' equity	1,144	1,077	785	873	1,369
Deferred tax on reserve for unrealized capital gains	0	0	44	28	30
Untaxed reserves	8,680	7,408	7,433	7,274	7,271
Excess values on investment assets					
- Other investment assets	-51	28	83	-14	79
Total solvency capital	9,773	8,513	8,345	8,161	8,748
Solvency ratio	135%	181%	198%	217%	223%
Capital base	9,560	8,210	7,876	7,772	8,086
Required solvency capital	1,105	724	722	710	594

Notes to the Financial Statements

Analysis of Consolidated Insurance Result (SEK 000's)

	TOTAL	DIRECT INSURANCE				FOREIGN	ASSUMED REINSURANCE
		SWEDEN					
		Industrial fire & allied risks	Marine	Aviation	Credit		
I) Notes to Analysis of Consolidated Insurance Result – Technical account							
Premiums earned, for own account	5,898,069	53	0	0	-114	753,399	5,144,731
Allocated investment return transferred from the non-technical account	151,848	0	0	0	0	21,054	130,794
Other technical income, for own account	5,461	0	0	0	0	0	5,461
Claims incurred, own account	-3,001,914	0	0	0	0	-396,395	-2,605,519
Operating expenses	-1,971,328	-6	0	0	-31	-271,918	-1,699,373
Operating profit/loss of technical account	1,082,136	47	0	0	-145	106,140	976,094
II) Notes to Analysis of Consolidated Insurance Result – Technical provisions							
Provisions for unearned premiums	-2,275,406	-6	0	0	-68,845	-350,938	-1,855,617
Provisions for outstanding claims	-7,755,919	0	0	0	-7,002	-345,894	-7,403,023
Equalization provision	-15,033	0	0	0	-3,099	-7,852	-4,082
Total technical provisions	-10,046,358	-6	0	0	-78,946	-704,684	-9,262,722
III) Notes to Analysis of Consolidated Insurance Result – Reinsurers' share of technical provisions							
Provisions for unearned premiums	169,660	0	0	0	0	26,254	143,406
Provisions for outstanding claims	1,098,725	0	0	0	0	60,100	1,038,625
Total reinsurers' share of technical provisions	1,268,385	0	0	0	0	86,354	1,182,031
IV) Notes to Analysis of Consolidated Insurance Result – Premiums earned, for own account							
Gross premium income	7,987,501	26	0	0	124	1,105,828	6,881,523
Ceded premiums	-730,156	0	0	0	0	-101,239	-628,917
Change in the gross provision for premiums	-1,326,579	27	0	0	-238	-245,148	-1,081,220
Change in the gross provision for premiums, reinsurers' share	-32,697	0	0	0	0	-6,042	-26,655
Total premiums earned, for own account	5,898,069	53	0	0	-114	753,399	5,144,731
V) Notes to Analysis of Consolidated Insurance Result – Claims incurred, for own account							
Claims paid	-3,962,459	0	0	0	0	-491,447	-3,471,012
Ceded claims paid	565,290	0	0	0	0	75,501	489,789
Claims handling expense	-96,056	0	0	0	0	0	-96,056
Change in gross provision for claims	777,387	22,038	0	0	0	24,141	731,208
Change in provision for claims, reinsurers' share	-291,052	-22,038	0	0	0	-9,566	-259,448
Change in other technical provisions, for own account	4,976	0	0	0	0	4,976	0
Total claims incurred, for own account	-3,001,914	0	0	0	0	-396,395	-2,605,519

Note 1 • Gross Premium Income

	2006	2005
Sweden	124	6,065
Other EEA countries	238,020	280,469
Other countries	867,835	395,063
Total gross income, direct insurance	1,105,979	681,597
Assumed reinsurance	6,881,522	4,888,833
Total Gross Premium Income	7,987,501	5,570,430

Note 2 • Operating Expenses

2006	Acquisition Costs	Administrative Expenses	Total
Commissions and profit commissions			
on assumed reinsurance	-2,210,223	0	-2,210,223
Prepaid acquisition costs assumed reinsurance	409,004	-283	408,721
Depreciation of fixed assets*)	-3,217	-10,365	-13,582
Other operating expenses*)	-73,187	-245,321	-318,508
Commissions and profit commissions			
on ceded reinsurance	166,656	0	166,656
Prepaid acquisition costs ceded reinsurance	-4,392	0	-4,392
Total Operating Expenses	-1,715,359	-255,969	-1,971,328

2005	Acquisition Costs	Administrative Expenses	Total
Commissions and profit commissions			
on assumed reinsurance	-1,439,519	0	-1,439,519
Prepaid acquisition costs assumed reinsurance	26,698	0	26,698
Depreciation of fixed assets*)	-4,391	-13,677	-18,068
Other operating expenses*)	-62,433	-225,000	-287,433
Commissions and profit commissions			
on ceded reinsurance	112,377	0	112,377
Prepaid acquisition costs ceded reinsurance	-11,647	0	-11,647
Total Operating Expenses	-1,378,915	-238,677	-1,617,592

*) Note 20

Note 3a • Investment Income

	2006	2005
<i>Dividend income from</i>		
Other	14,042	162,899
<i>Interest income</i>		
Bonds and other interest bearing securities		
– other	406,386	442,024
Other interest income		
– group companies	0	818
– other	86,931	42,247
Capital gain from sale of buildings	3,048	0
Capital gains on foreign exchange, net	0	405,469
Realized gains on investments		
Capital gain from acquisition and liquidation of subsidiary	0	20,804
Shares and participations in group companies and associated companies	0	210,396
Shares and participations	0	198,861
Total investment income	510,407	1,483,518

Note 3b • Unrealized gains and losses on investments

	2006	2005
Shares and participations in group companies and associated companies	0	-176,438
Shares and participations – other	290,862	-281,696
Total unrealized gains on investments	290,862	-458,134

Note 4 • Investment Expenses

	2006	2005
Operating expenses	-54,139	-65,308
Net deficit on real estate	-1,278	-1,488
<i>Interest expenses</i>		
Other interest expenses	-2,717	-6,672
Capital losses on foreign exchange, net	-170,949	0
<i>Realized losses on investments</i>		
Shares and participations in group companies and associated companies	-259,493	0
Shares and participations	-54,566	0
Interest bearing securities	-25,274	-129,907
Total investment expenses	-568,416	-203,375

Note 5 • Other Expenses			Note 7 • Intangible Assets	
	2006	2005	2006	2005
Goodwill depreciation	-34,942	-34,942	615,381	615,381
Total other expenses	-34,942	-34,942	345,366	380,307
Note 6 • Tax			Note 8 • Land and Buildings	
	2006	2005	2006	2005
Current tax	-101,745	-124,026	18,768	21,616
Current tax for previous year	27,289	-146,602	-12,171	-12,485
Tax effect group contribution	-67,862	-101,300	6,597	9,131
Tax carry forward, foreign tax	38,052	209,608		
Change in deferred tax for allocation to the safety reserve	-336,612	-19,695		
Change in deferred tax for other untaxed reserves	0	7,094		
Deferred tax on unrealized gains/losses	-5,458	40,153		
Deferred tax other	0	-7,046		
Other tax	2,248	444		
Total tax	-444,088	-141,370		

Note 9 • Investments in Group Companies and Participating Interests

Shares and participations in associated companies	2006		2005	
	Cost value	Market value	Cost value	Market value
Symetra Financial Holdings Inc., Redmond, Washington, USA nom. value MUSD 200. The share of capital amounts to 18.8%.	0	0	1,896,199	2,100,554

Note 10 • Shares and Participations

Security	Currency	Number	Cost Value (SEK)	Market value (SEK)	Security	Currency	Number	Cost Value (SEK)	Market value (SEK)
Abitibi Consolidated Inc	USD	68,000	1,078,197	1,194,885	Petro Canada	USD	8,400	2,531,369	2,366,268
Alcan Corp	USD	3,400	1,140,913	1,137,475	Pfizer Incorp	USD	16,600	2,892,998	2,951,108
Alcoa Inc	USD	10,600	2,214,767	2,183,480	Pogo Producing Co	USD	7,400	2,622,088	2,460,442
Archer Daniels Midland	USD	12,700	2,855,781	2,786,043	Pope & Talbot Inc	USD	1,600	56,999	60,074
Automatic Data Processing Inc	USD	8,800	2,928,347	2,974,858	Post Properties Inc	USD	14,800	4,799,080	4,642,535
Barrick Gold Corp	USD	21,500	4,453,844	4,530,583	Prospector Offshore	USD	150,061	120,811,361	146,250,582
Benfield Group Ltd	GBP	82,652	3,768,823	3,986,076	Rockville Financial Inc	USD	500	60,987	61,261
Berkshire Hathaway Inc	USD	200	5,028,566	5,032,685	Saskatchewan Wheat Pool	CAN	5,200	257,631	272,840
British Energy Group Ltd	GBP	286,185	17,835,521	20,963,453	Schroders Plc	GBP	145,303	18,901,552	21,875,344
Capitol Federal Financial	USD	3,200	833,784	843,888	Shell Canada Ltd	CAN	7,400	1,921,606	1,904,623
Charter Financial Corp	USD	4,500	1,606,145	1,591,350	State Auto Financial Corp	USD	1,800	423,289	428,478
Chevron Corp	USD	12,200	6,230,316	6,157,461	Svenska Handelsbanken A	SEK	110,000	15,072,926	22,770,000
Coca Cola Co	USD	6,200	2,078,474	2,053,366	Travelers Property & Casualty	USD	2,100	378,378	378,378
Danske Bank	DKK	267,000	46,450,440	81,256,410	Timberwest Forest CRP- STP U	CAN	20,800	1,844,889	1,854,305
Diageo Plc	GBP	620,000	59,795,072	83,847,900	Tootsie Roll Inds	USD	6,000	1,369,780	1,346,717
Domtar Inc	USD	14,800	780,190	857,396	Tribune Co	USD	16,000	3,565,917	3,380,383
Dupont El De nemours & Co	USD	18,500	5,986,521	6,185,391	Union de Banque Suisse LuxF	USD	2,099	1,476,993	1,535,696
Encore Acquisition Co	USD	1,200	216,818	202,049	Union de Banque Suisse LuxMF	USD	240	209,104	209,988
Energy East Corporation	USD	1,300	226,292	221,295	Unisource Energy Corp	USD	17,200	4,359,985	4,312,761
Deutsche Post AG-REG	EUR	1,800	371,560	371,718	Wauwatosa Holdings Inc	USD	1,400	172,039	171,243
Fortune Brands Inc	USD	1,700	965,243	996,399	Weyerhaeuser Co	USD	1,100	498,175	533,436
Hess Corp	USD	17,200	6,044,713	5,852,274					
HBOS Plc	GBP	137,600	17,081,674	21,012,658	Total			721,135,806	851,004,365
Home Depot Inc	USD	1,100	295,296	303,224	Other shares & participations	Mix		210,953,652	239,568,133
HSBC CCF Agei Sicav EUR	EUR	2,887	5,139,717	5,712,913	Total shares & participations			932,089,458	1,090,572,498
IBM	USD	2,500	1,626,253	1,667,094	of which listed			721,135,803	851,004,359
Investors Bancopr Inc	USD	900	95,629	97,174					
Lancashire Holdings Ltd	GBP	1,117,902	43,001,322	50,520,154					
Marsh & McLennan Co	USD	10,100	2,120,203	2,125,547					
Merck & Co Inc	USD	2,900	862,709	867,884					
Meredeth Corp	USD	15,000	5,799,737	5,801,796					
Mirant Corp	USD	53,800	11,809,677	11,658,271					
Mirant Inc	USD	7,500	737,502	724,324					
Neteller Plc	GBP	189,100	3,872,990	3,864,740					
New York Times	USD	8,200	1,340,704	1,371,098					
Newmont Mining Corp	USD	8,700	2,829,069	2,696,214					
Northgate Minerals Corp	USD	22,100	462,668	527,897					
Oblipar Sicav D EUR	EUR	6,575	230,436,909	250,554,206					
Peco Pallet Inc	USD	5,318,526	36,506,274	36,506,274					

Note 11 • Bonds and Other Interest-bearing Investments

	2006		2005	
	Amortised Cost	Market Value	Amortised Cost	Market Value
Swedish government	2,562,620	2,556,475	2,464,396	2,510,684
Swedish mortgage institutions	1,736,449	1,726,436	1,080,900	1,091,839
Foreign governments	3,108,217	3,073,464	3,267,650	3,235,328
Other foreign issuers	2,425,162	2,406,676	3,243,220	3,215,864
Total bonds and other interest-bearing investments	9,832,448	9,763,051	10,056,166	10,053,715
of which listed	9,832,448	9,763,051	10,056,166	10,053,715

Remaining amount to be amortised according to the amortised cost principle

	2006	2005
Total positive amount	462,715	318,637
Total negative amount	37,961	292,151

Note 12 • Other Financial Assets

	2006	2005
Other Financial Assets	20,447	5,540
which are directly related to insurance operations 20,447 (5,540)		

Note 13 • Reinsurers' Share of Technical Provisions

<i>Provisions for unearned premiums</i>	2006	2005
Opening balance	230,978	139,479
Change in provision	-32,697	43,280
Capital gains/losses on foreign exchange	-28,621	48,219
Closing balance	169,660	230,978

Provisions for outstanding claims

2006	Incurred and reported claims	Incurred, but not reported claims (I.B.N.R.)	Total
------	---------------------------------	--	-------

Opening balance	1,014,998	516,672	1,531,670
Change in provision	-113,593	-177,459	-291,052
Capital gains/losses on foreign exchange	-97,882	-44,011	-141,893
Closing balance	803,523	295,202	1,098,725

2005	Incurred and reported claims	Incurred, but not reported claims (I.B.N.R.)	Total
------	---------------------------------	--	-------

Opening balance	760,026	409,018	1,169,044
Change in provision	140,330	47,449	187,779
Capital gains/losses on foreign exchange	114,642	60,205	174,847
Closing balance	1,014,998	516,672	1,531,670

Note 14 • Debtors

	2006	2005
<i>Debtors arising out of direct insurance</i>		
Amounts due from intermediaries	79,705	36,348
Total debtors arising out of direct insurance	79,705	36,348
<i>Other debtors</i>		
<i>Debtors / creditors taxes</i>		
- Preliminary paid taxes for current year	207,575	67,118
- Tax receivable on disputed tax	11,212	11,686
- Deferred tax on tax carry forward foreign tax	267,382	234,481
- Deferred tax on unrealized capital losses	0	1,812
- Other tax receivable	14,640	56,231
Receivable on group companies	0	1,291
Other receivable	38,501	37,849
Total other debtors	539,310	410,468

Note 15 • Other Assets

	2006	2005
<i>Fixed assets</i>		
Acquisition cost	88,834	88,296
Accumulated depreciation	-75,394	-72,327
Book value	13,440	15,969
Machinery, equipment etc excluding IT equipment are depreciated at an annual rate of 20% of acquisition cost.		
<i>Cash and bank</i>		
Other cash and bank	3,989,285	1,835,206
Total cash and bank balance	3,989,285	1,835,206

Note 16 • Shareholders' Equity

2006	Share capital	Restricted reserves	Retained earnings	Net income for the year	Total Shareholders' equity
Opening balance	800,000	5,704,291	222,897	541,034	7,268,222
Transfer of result from previous year	0	0	541,034	-541,034	0
Transfer from reserve for unrealized capital gains	0	-370,696	370,696	0	0
Transfer to restricted reserves	0	916,193	-916,193	0	0
Transfer to reserve for unrealized capital gains	0	128,215	-128,215	0	0
Translation difference	0	0	-245,586	0	-245,586
Group contribution paid	0	0	-174,503	0	-174,503
Net income for the year	0	0	0	684,111	684,111
Closing balance	800,000	6,378,003 *)	-329,870	684,111	7,532,244

*) whereof reserve for unrealized capital gains 128,215 (370,696).

Note 17 • Technical Provisions

<i>Provisions for unearned premiums</i>	2006	2005
Opening balance	1,114,253	1,025,281
Change in provision	1,326,579	-67,309
Capital gains/losses on foreign exchange	-165,426	156,281
Closing balance	2,275,406	1,114,253

whereof group companies 1,097,586 (189,016)

Note 18 • Provisions for Tax

	2006	2005
Provision for taxes		
– Calculated current tax for current and previous years results	137,200	208,487
Deferred tax on		
– untaxed reserves	2,430,473	2,093,871
– reserve for unrealized capital gains	5,206	4,273
– other	1,361	48,471
Total provisions for tax	2,574,240	2,355,102

Provisions for outstanding claims

2006	Incurring and reported claims	Incurring, but not reported claims (I.B.N.R.)	Total
------	-------------------------------	---	-------

Opening balance	4,802,916	4,647,919	9,450,835
Change in provision	-261,481	-515,906	-777,387
Reclassification to operating expenses	-6,244	0	-6,244
Change in present value of funds required to pay losses at future dates	0	39,472	39,472
Capital gains/losses on foreign exchange	-447,918	-502,839	-950,757
Closing balance	4,087,273	3,668,646	7,755,919

whereof group companies 1,180,213 (572,427)

Note 19 • Creditors arising out of direct insurance

	2006	2005
Amounts due to intermediaries	73,195	64,222
Total creditors arising out of direct insurance	73,195	64,222
Other creditors	417,403	451,733

whereof group companies 265,228 (369,000)

2005	Incurring and reported claims	Incurring, but not reported claims (I.B.N.R.)	Total
------	-------------------------------	---	-------

Opening balance	3,627,161	5,546,179	9,173,340
Change in provision	586,773	-1,787,937	-1,201,164
Change in present value of funds required to pay losses at future dates	0	196,834	196,834
Capital gains/losses on foreign exchange	588,982	692,843	1,281,825
Closing balance	4,802,916	4,647,919	9,450,835

whereof group companies 572,427 (294,455)

For Scandinavian Re a portion of insurance reserves is shown on a discounted basis, which estimates the present value of funds required to pay losses at future dates. The reserves are discounted where anticipated future investment income is an integral part of the premium pricing for a particular product. The assumptions on which the discounting of outstanding losses is based are shown in the table below.

	2006	2005
Nominal amount, TUSD	347,925	390,849
Discounted amount, TUSD	206,292	206,337
Total effect of discounting, TUSD	141,633	184,512
Discount rates	3%-7.5%	3%-7.5%
Durations	2 years–30 years	2 years–30 years

Note 20 • Employees, Administrative expenses and the Allocations			Note 20 continued	
	2006	2005	2006	2005
Average number of employees				
Sweden	130	124		
Belgium	47	50		
Bermuda	6	6		
United Kingdom	42	37		
Switzerland	7	5		
Singapore	14	14		
of which				
female	130	127		
male	116	109		
Total average number of employees	246	236		
Whereof number of board members,				
President and other senior members of management				
Men	5	6		
Women	0	0		
Total	5	6		
Administrative expenses and the Allocations				
Personnel expenses				
Salaries and compensations	-175,109	-148,073		
Social security costs	-49,002	-41,155		
Pension expenses	-31,618	-26,140		
Other personnel expenses	-8,519	-7,139		
Total personnel expenses and other remunerations	-264,248	-222,507		
2006	Whereof salaries and other remunerations	Pension expenses		
President	-4,254	-4,148		
Other senior members of management	-5,887	-2,328		
Total	-10,141	-6,476		
2005	Whereof salaries and other remunerations	Whereof pension expenses		
President	-5,024	-1,953		
Other senior members of management	-4,592	-879		
Total	-9,616	-2,832		
Note 20 continued				
Other operating expenses				
Rent	-37,545	-37,050		
Depreciation	-17,608	-24,885		
Other administrative expenses where of audit fees to Öhrlings PricewaterhouseCoopers	-127,182	-141,405		
Deloitte	-52	-65		
Total other operating expenses	-182,335	-203,340		
Total administrative expenses	-446,583	-425,847		
Allocated administrative expenses				
Claims handling expenses	-96,056	-95,496		
Investment expenses note 4	-18,154	-24,850		
Acquisition cost note 2	-76,404	-66,824		
Total allocated administrative expenses	-190,614	-187,170		
Total administrative expenses after the allocations note 2	-255,969	-238,677		
Note 21 • Pledged assets and Contingent liabilities				
Pledged Assets				
	2006	2005		
Bonds & debentures	2,788,014	3,360,548		
Accrued interest	900	3,658		
Cash and bank	335,057	168,839		
Total pledged assets	3,123,971	3,533,045		
The majority of the pledged assets are collaterals for issued letters of credit to cover obligations under reinsurance contracts.				
Contingent liabilities				
	2006	2005		
Guarantees on behalf of subsidiary	420,242	487,361		
Future commitments to invest in risk venture capital companies	77,948	95,629		
Total pledged assets and contingent liabilities	3,622,161	4,116,035		

Remuneration is paid to external members of the Board of Directors pursuant to resolution taken at the Annual General Meeting of Shareholders. Compensation for the President and other senior members of management comprise base salary, bonus and other compensations such as car benefits and pension. Allocation between base salary and bonus shall be commensurate with the employee's responsibility and authority.

Upon termination initiated by the company, the President is entitled to severance pay equal to one years' salary.



Income Statement – Parent Company

SEK 000's	Note	2006	2005
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
<i>Earned premiums, for own account</i>			
Gross premium income	1	7,975,442	5,404,643
Ceded reinsurance premiums		-730,156	-691,527
Change in the gross provision for unearned premiums		-1,326,579	-18,225
Change in the provision for unearned premiums, reinsurers' share		-32,696	44,576
Total earned premiums, for own account		5,886,011	4,739,467
Allocated investment return transferred from the non-technical account		151,848	130,406
<i>Claims incurred, for own account</i>			
Claims paid			
Gross amount		-3,679,544	-2,893,139
Reinsurers' share		565,290	412,580
Claims handling expenses	21	-96,056	-95,496
Claims paid, for own account		-3,210,310	-2,576,055
<i>Change in the provision for claims, for own account</i>			
Gross amount		734,468	-796,886
Reinsurers' share		-291,052	211,446
Change in other technical provisions, for own account			
Gross amount		4,976	-3,736
Total claims incurred, for own account		-2,761,918	-3,165,231
Operating expenses	2	-1,961,124	-1,543,192
Operating profit/loss of technical account		1,314,817	161,450
NON-TECHNICAL ACCOUNT			
Balance of technical account		1,314,817	161,450
<i>Investment income/expenses</i>			
Investment income	3a	709,483	1,083,101
Unrealized gains	3b	286,476	-288,071
Investment expenses	4	-518,219	-153,637
Investment income allocated to technical account		-151,848	-130,406
Total investment income/expenses		325,892	510,987
Other expenses and extraordinary expenses	5	-24,801	-24,801
Result before appropriations and taxes		1,615,908	647,636
Appropriations	6	-1,272,505	25,335
Taxes	7	-102,046	-120,115
Net income for the year		241,357	552,856

Balance Sheet – Parent Company

December 31 (SEK 000's)	Note	2006	2005
ASSETS			
Intangible Assets			
Goodwill	8	263,072	287,873
Capitalized software		858	11,417
Total intangible assets		263,930	299,290
Investment assets			
Land and buildings	9	6,597	9,131
<i>Investments in group companies and participating interests</i>			
Shares and participations in group companies	10	1,503,475	1,563,031
Shares and participations in associated companies	10	0	1,535,760
Total investments in group companies and participating interests		1,503,475	3,098,791
<i>Other financial investments</i>			
Shares and participations	11	902,704	1,568,009
Bonds and other interest-bearing investments	12	8,134,268	7,907,239
Total other financial investments		9,036,972	9,475,248
Deposits with cedents		1,247,573	398,402
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	169,660	230,978
Claims outstanding		1,098,725	1,531,670
Total reinsurers' share of technical provisions		1,268,385	1,762,648
Debtors			
Debtors arising out of direct insurance operations	14	79,705	36,348
Debtors arising out of reinsurance operations		838,979	771,343
Other debtors	14	522,770	626,645
Total debtors		1,441,454	1,434,336
Other assets			
Tangible assets	15	12,466	14,535
Cash and bank balance		3,571,063	1,420,941
Total other assets		3,583,529	1,435,476
Prepayments and accrued income			
Accrued interest		186,879	168,216
Deferred acquisition costs		569,285	194,353
Other prepayments and accrued income		9,893	6,106
Total prepayments and accrued income		766,057	368,675
Total assets		19,117,972	18,281,997

December 31 (SEK 000's)	Note	2006	2005
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital (8,000,000 shares of nom.value SEK 100)		800,000	800,000
Reserve for unrealized gains on investments		109,591	150,386
Retained earnings		-6,789	-425,937
Net income for the year		241,357	552,856
Total shareholders' equity		1,144,159	1,077,305
Untaxed reserves			
Excess depreciations on intangible assets		80,878	80,912
Safety reserve		8,599,383	7,326,858
Total untaxed reserves		8,680,261	7,407,770
Technical provisions			
Provisions for unearned premiums	17	2,267,787	1,101,957
Claims outstanding	17	6,323,524	7,793,309
Equalization provision		19,895	26,211
Total technical provisions		8,611,206	8,921,477
Provisions for other risks and expenses			
Taxation provisions	18	137,214	203,045
Deposits received from reinsurers		49,604	73,160
Creditors			
Creditors arising out of direct insurance operations	19	73,195	64,222
Creditors arising out of reinsurance operations		5,149	42,087
Other creditors	19	344,269	444,693
Total creditors		422,613	551,002
Accrued expenses and deferred income			
Other accrued expenses and deferred income		72,915	48,238
Total shareholders' equity and liabilities		19,117,972	18,281,997
Pledged assets and contingent liabilities	22	2,774,838	3,092,985

Notes to the Financial Statements

Analysis of Parent Company Insurance Result (SEK 000's)

	TOTAL	DIRECT INSURANCE				FOREIGN	ASSUMED REINSURANCE
		SWEDEN Industrial fire & allied risks	Marine	Aviation	Credit		
I) Notes to Analysis of Parent Company – Technical account							
Premiums earned, for own account	5,886,011	53	0	0	-114	753,399	5,132,673
Allocated investment return transferred from the non-technical account	151,848	0	0	0	0	21,054	130,794
Claims incurred, own account	-2,761,918	0	0	0	0	-396,395	-2,365,523
Operating expenses	-1,961,124	-6	0	0	-31	-271,918	-1,689,169
Operating profit/loss of technical account	1,314,817	47	0	0	-145	106,140	1,208,775
II) Notes to Analysis of Parent Company – Technical provisions							
Provisions for unearned premiums	-2,267,787	-6	0	0	-68,845	-350,938	-1,847,998
Provisions for outstanding claims	-6,323,524	0	0	0	-7,002	-345,894	-5,970,628
Equalization provision	-19,895	0	0	0	-3,099	-7,852	-8,944
Total technical provisions	-8,611,206	-6	0	0	-78,946	-704,684	-7,827,570
III) Notes to Analysis of Parent Company – Reinsurers' share of technical provisions							
Provisions for unearned premiums	169,660	0	0	0	0	26,254	143,406
Provisions for outstanding claims	1,098,725	0	0	0	0	60,100	1,038,625
Total reinsurers' share of technical provisions	1,268,385	0	0	0	0	86,354	1,182,031
IV) Notes to Analysis of Parent Company – Premiums earned, for own account							
Gross premium income	7,975,442	26	0	0	124	1,105,829	6,869,463
Ceded premiums	-730,156	0	0	0	0	-101,239	-628,917
Change in the gross provision for premiums	-1,326,579	27	0	0	-238	-245,148	-1,081,220
Change in the gross provision for premiums, reinsurers' share	-32,696	0	0	0	0	-6,043	-26,653
Total premiums earned, for own account	5,886,011	53	0	0	-114	753,399	5,132,673
V) Notes to Analysis of Parent Company – Claims incurred, for own account							
Claims paid	-3,679,544	0	0	0	0	-491,447	-3,188,097
Ceded claims paid	565,290	0	0	0	0	75,501	489,789
Claims handling expense	-96,056	0	0	0	0	0	-96,056
Change in gross provision for claims	734,468	22,038	0	0	0	24,141	688,289
Change in provision for claims, reinsurers' share	-291,052	-22,038	0	0	0	-9,566	-259,448
Change in other technical provisions, gross amount	4,976	0	0	0	0	4,976	0
Total claims incurred, for own account	-2,761,918	0	0	0	0	-396,395	-2,365,523

Note 1 • Gross Premium Income

	2006	2005
Sweden	124	6,065
Other EEA countries	238,020	280,469
Other countries	867,835	395,063
Total gross income, direct insurance	1,105,979	681,597
Assumed reinsurance	6,869,463	4,723,046
Total gross premium income	7,975,442	5,404,643

Note 2 • Operating Expenses

2006	Acquisition Costs	Administrative Expenses	Total
Commissions and profit commissions			
on assumed reinsurance	-2,209,798	0	-2,209,798
Prepaid acquisitions costs assumed reinsurance	409,004	0	409,004
Depreciation of fixed assets*)	-3,217	-10,365	-13,582
Other operating expenses*)	-73,187	-235,825	-309,012
Commissions and profit commission			
on ceded reinsurance	166,656	0	166,656
Prepaid acquisitions costs ceded reinsurance	-4,392	0	-4,392
Total operating expenses	-1,714,934	-246,190	-1,961,124
2005	Acquisition Costs	Administrative Expenses	Total
Commissions and profit commissions			
on assumed reinsurance	-1,404,554	0	-1,404,554
Prepaid acquisitions costs assumed reinsurance	43,172	0	43,172
Depreciation of fixed assets*)	-4,455	-13,874	-18,329
Other operating expenses*)	-62,369	-200,147	-262,516
Commissions and profit commission			
on ceded reinsurance	110,967	0	110,967
Prepaid acquisitions costs ceded reinsurance	-11,932	0	-11,932
Total operating expenses	-1,329,171	-214,021	-1,543,192

*) Note 21

Note 3a • Investment Income

	2006	2005	Note 3b • Unrealized gains on investments	2006	2005
<i>Dividend income</i>			Shares and participations	286,476	-288,071
From group companies and associated companies	101,648	0	Total unrealized gains on investments	286,476	-288,071
Other	14,042	162,899			
<i>Interest income</i>					
Bonds and other interest bearing securities					
- other	308,663	333,326			
Other interest income					
- group companies	0	818			
- other	78,429	38,814			
Capital gain from sale of building	3,048	0			
Capital gains on foreign exchange, net	0	165,596			
<i>Realized gains/losses on investments, net</i>					
Shares and participations in group companies and associated companies	203,653	182,787			
Shares and participations	0	198,861			
Total investment income	709,483	1,083,101			

Note 4 • Investment Expenses

	2006	2005
Operating expenses	-48,337	-56,534
Interest expenses		
Other interest expenses	-2,717	-6,672
Net deficit on real estate	-1,278	-1,488
Capital losses on foreign exchange, net	-172,771	0
<i>Realized losses on investments</i>		
Shares and participations	-72,491	0
Interest bearing securities	-12,047	-88,943
Depreciation of shares in group companies (Scand.Re)	-208,578	0
Total investment expenses	-518,219	-153,637

Note 5 • Other Expenses

	2006	2005
Goodwill depreciation	-24,801	-24,801
Total other expenses	-24,801	-24,801

Note 6 • Appropriations

	2006	2005
Allocation to the safety reserve	-1,272,525	0
Excess depreciations on tangible assets (goodwill)	20	25,335
Total appropriations	-1,272,505	25,335

Note 7 • Tax

	2006	2005
Current tax	-99,525	-124,026
Current tax for previous year	27,289	-146,602
Tax effect group contribution	-67,862	-101,300
Tax carry forward, foreign tax	38,052*	207,389
Deferred tax on unrealized gains	0	44,426
Other tax	0	-2
Total tax	-102,046	-120,115

* whereof provision for tax carry forward TSEK 69,375 (45,979).

Note 8 • Intangible Assets

	2006	2005
<i>Goodwill</i>		
Acquisition cost	459,610	459,610
Depreciation according to plan	-196,538	-171,737
Total Goodwill	263,072	287,873
Goodwill is depreciated at annual rates of 5% and 10% respectively of acquisition cost.		
<i>Capitalized software</i>		
Acquisition cost	65,093	65,093
Depreciation according to plan	-64,235	-53,676
Total capitalized software	858	11,417
Software is depreciated at an annual rate of 33.3% of acquisition cost.		

Note 9 • Land and Buildings

	2006	2005
<i>Land and buildings</i>		
Acquisition cost	18,768	21,616
Accumulated depreciation	-12,171	-12,485
Book value land and buildings	6,597	9,131

Buildings abroad are depreciated at an annual rate of 10% of acquisition cost and buildings in Sweden with 2%. The value of land and buildings for Swedish taxation purposes is 900 (900) and 1,328 (1,328) respectively.

Note 10 • Shares and Participations in Group Companies and Associated Companies

	2006	2005
Fund American Re, Bermuda 14 000 000 shares nom. value MUSD 14 (100% ownership)	716,829	567,807
Sirius Belgium Réassurances S.A., Liège, Belgium, share capital total 1,245,681 EUR of 700,000 shares without nom. value (100% ownership)	13,018	13,018
Scandinavian Reinsurance Company Ltd., Bermuda 50.000.000 shares nom.value MUSD 50 1,000 preference shares nom. value MUSD 50 (100% ownership)	773,628	982,206
Total shares and participations in group companies	1,503,475 *)	1,563,031

*) Accumulated write-down of shares in Scandinavian Re totalling TSEK
-891,180 (-682,602).

	2006		2005	
	Cost value	Market value	Cost value	Market value
Shares and participations in associated companies	0	0	1,535,760	2,100,554
Symetra Financial Holdings Inc., Redmond, Washington, nom.value MUSD 200. The share of capital amounts to 18.8%				

Note 11 • Shares and Participations

	Currency	Number	Cost Value (SEK)	Market value (SEK)
Benfield Group Plc	GBP	82,652	3,768,823	3,986,076
British Energy Group Plc	GBP	285,285	17,774,770	20,897,527
Danske Bank	DKK	267,000	46,450,440	81,256,410
Diageo Plc	GBP	620,000	59,795,072	83,847,900
HBOS PLC	GBP	137,600	17,081,674	21,012,658
HSBC-CCFFRF/eur	EUR	2,887	5,139,717	5,712,913
Lancashire Holdings Ltd	GBP	1,117,902	43,001,322	50,520,154
Neteller Plc	GBP	189,100	3,872,990	3,864,740
Oblipar Sicav D EUR	EUR	6,575	230,436,909	250,554,206
Peco Pallet Inc	USD	5,318,526	36,506,274	36,506,274
Propector	USD	63,526	52,262,420	63,690,441
Schroders Plc	GBP	145,303	18,901,552	21,875,344
Svenska Handelsbanken A	SEK	110,000	15,072,924	22,770,000
UBSLuxF	USD	2,099	1,476,993	1,535,696
UBSLuxMF	USD	240	209,104	209,988
Total			551,750,984	668,240,327
Other shares & participations Mix			210,377,063	234,463,848
Total shares & participation of which listed			762,128,047	902,704,175
			551,750,983	668,240,327

Note 12 • Bonds and Other Interest-bearing Investments

	2006		2005	
	Amortised Cost	Market Value	Amortised Cost	Market Value
Swedish government	2,562,620	2,556,475	2,464,396	2,510,684
Swedish mortgage institutions	1,736,449	1,726,445	1,080,900	1,091,839
Foreign governments	1,925,018	1,906,917	1,588,878	1,585,086
Other foreign issuers	1,910,181	1,892,746	2,773,065	2,747,729
Total bonds and other interest-bearing investments	8,134,268	8,082,583	7,907,239	7,935,338
of which listed	8,134,268	8,082,583	7,907,239	7,935,338

Remaining amount to be amortised according to the amortised cost principle

	2006	2005
Total positive amount	444,657	288,248
Total negative amount	14,024	207,162

Note 13 • Reinsurers' Share of Technical Provisions

Provisions for unearned premiums	2006		2005
	Incurring and reported claims	Incurring, but not reported claims (I.B.N.R.)	Total
Opening balance	230,978	137,446	368,424
Portfolio transfer	0	-3,741	-3,741
Change in provision	-32,696	44,576	11,880
Capital gains/losses on foreign exchange	-28,622	52,697	24,075
Closing balance	169,660	230,978	400,638
Provisions for outstanding claims			
2006			
Opening balance	1,014,997	516,673	1,531,670
Portfolio transfer	0	0	0
Change in provision	-113,593	-177,459	-291,052
Capital gains/losses on foreign exchange	-97,882	-44,011	-141,893
Closing balance	803,522	295,203	1,098,725

Note 14 • Debtors

	2006	2005
Debtors arising out of direct insurance		
Amounts due from intermediaries	79,705	36,348
Total debtors arising out of direct insurance	79,705	36,348
Other debtors		
Debtors/creditors taxes		
- Preliminary paid taxes for current year	207,575	65,414
- Deferred tax on tax carry forward foreign tax	267,382	229,392
- Other tax receivable	13,171	7,798
Receivables on group companies	122	285,702
Other receivables	34,520	38,339
Total other debtors	522,770	626,645

Note 15 • Other Assets

	2006	2005
Fixed assets		
Acquisition cost	85,857	84,844
Accumulated depreciation	-73,391	-70,309
Book value	12,466	14,535
Machinery, equipment etc excluding IT equipment are depreciated at an annual rate of 20% of acquisition cost. IT equipment is depreciated at an annual rate of 33% of acquisition cost.		
Cash and bank		
Other cash and bank	3,571,063	1,420,941
Total cash and bank balance	3,571,063	1,420,941

Note 16 • Shareholders' Equity

2006	Share capital	Restricted reserves	Retained earnings	Net income for the year	Total Shareholders' equity
Opening balance	800,000	150,386	-425,937	552,856	1,077,305
Transfer of net result from previous year	0	0	552,856	-552,856	0
Transfer from reserve for unrealized capital gains	0	-150,386	150,386	0	0
Transfer to reserve for unrealized capital gains	0	109,591	-109,591	0	0
Group contribution 72%	0	0	-174,503	0	-174,503
Net income for the year	0	0	0	241,357	241,357
Closing balance	800,000	109,591	-6,789	241,357	1,144,159

Restricted reserves represent reserve for unrealized capital gains on shares and participations and derivatives.

Note 17 • Technical Provisions

	2006	2005
<i>Provisions for unearned premiums</i>		
Opening balance	1,101,957	844,943
Portfolio transfer	0	83,221
Change in provision	1,326,579	18,225
Capital gains/losses on foreign exchange	-160,749	155,568
Closing balance	2,267,787	1,101,957
of which group companies 1,097,586 (189,016)		

Note 18 • Provisions for Tax

	2006	2005
Calculated current tax for current and previous years results	83,488	59,028
Total provisions for tax	137,214	203,045

Provisions for outstanding claims

2006	Incurring and reported claims	Incurring, but not reported claims (I.B.N.R.)	Total
Opening balance	4,775,132	3,018,177	7,793,309
Portfolio transfer	0	0	0
Change in provision	-269,780	-464,688	-734,468
Capital gains/losses on foreign exchange	-447,918	-287,399	-735,317
Closing balance	4,057,434	2,266,090	6,323,524
of which group companies 1,180,213 (572,427)			

Note 19 • Creditors arising out of direct insurance

	2006	2005
Amounts due to intermediaries	73,195	64,222
Total creditors arising out of direct insurance	73,195	64,222
Creditors, other	344,269	444,693
of which, to group companies 265,228 (369,000)		

Note 20 • Sickness absence in Sweden, %

	2006	2005
Women	3.04	3.02
Men	1.54	0.82
Total	2.41	2.15
Age		
Younger than 30 years	3.39	3.54
30-49 years	2.60	2.16
50 years and older	1.97	1.95
Total sickness absence	2.41	2.15
60 days or more	0.33	0.25

of which group companies 572,427 (294,455)

Note 21 • Employees, Administrative expenses and the allocations

	2006	2005
Average number of employees		
Sweden	130	124
Belgium	47	50
United Kingdom	42	37
Switzerland	7	5
Singapore	14	14
of which,		
women	126	123
men	114	107
Total average number of employees	240	230

Whereof number of board members, President and other senior members of management

Men	5	6
Women	0	0
Total	5	6

Administrative expenses and the allocations**Personnel expenses**

Salaries and compensations	-168,797	-135,275
Social security expenses	-48,897	-40,937
Pension expenses	-31,212	-25,688
Other Personnel expenses	-7,388	-5,833
Total salaries and other remunerations	-256,294	-207,733

2006	Whereof salaries and other remunerations	Whereof pension expenses
President	-4,254	-4,148
Other senior members of management	-5,887	-2,328
Total	-10,141	-6,476

2005	Whereof salaries and other remunerations	Whereof pension expenses
President	-5,024	-1,953
Other senior members of management	-4,592	-879
Total	-9,616	-2,832

Remuneration is paid to external members of the Board of Directors pursuant to resolution taken at the Annual General Meeting of Shareholders. Compensation for the President and other senior members of management comprise base salary, bonus and other compensations such as car benefits and pension. Allocation between base salary and bonus shall be commensurate with the employee's responsibility and authority.

Upon termination initiated by the company the President is entitled to severance pay equal to one year's salary.

Note 21 continued

	2006	2005
Other operating expenses		
Rent	-34,355	-33,181
Depreciation	-17,325	-24,344
Other administrative expenses	-128,830	-135,933
whereof audit fees to		
Öhrlings PricewaterhouseCoopers	-4,993	-5,142
Deloitte	-52	-65
Total other administrative expenses	-180,510	-193,458
Total operating expenses	-436,804	-401,191
Allocated administrative expenses		
Claims handling expenses	-96,056	-95,496
Investment expenses note 4	-18,154	-24,850
Acquisition costs note 2	-76,404	-66,824
Total allocated administrative expenses	-190,614	-187,170
Total administrative expenses after the allocations note 2	-246,190	-214,021

Note 22 • Pledged assets and Contingent liabilities

Pledged Assets	2006	2005
Bonds & Debentures	2,129,049	2,341,916
Accrued interest	900	3,658
Cash and bank	146,699	164,421
Total pledged assets	2,276,648	2,509,995

The majority of the pledged assets are collaterals for issued letters of credit to cover obligations under reinsurance contracts.

Contingent Liabilities	2006	2005
Guarantees on behalf of subsidiary	420,242	487,361
Future commitments to invest in risk venture capital company	77,948	95,629
Total pledged assets and contingent liabilities	2,774,838	3,092,985

Stockholm, March 1, 2007

Steven E. Fass
Chairman of the Board of Directors

G. Thompson Hutton

Göran Thorstensson
President & CEO

Jan Silverudd
Employee Representative

Our Auditors' Report was submitted on March 22, 2007

Matts Edin
Authorized Public Accountant

Catarina Ericsson
Authorized Public Accountant

Henrik Hedqvist
Authorized Public Accountant
Appointed by the Swedish
Financial Supervisory Authority

Auditors' Report

To the general meeting of the shareholders of Sirius International Insurance Corporation (publ) Corporate identity number 516401-8136

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Sirius International Försäkringsbolag (publ) for the year 2006. These accounts and the administration of the company and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual

accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the general meeting of shareholders that the income statement and balance sheet for the company and the group be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 22, 2007

Matts Edin
Authorized Public Accountant

Catarina Ericsson
Authorized Public Accountant

Henrik Hedqvist
Authorized Public Accountant
Appointed by the Swedish Financial
Supervisory Authority

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DEFINITIONS

Combined Ratio

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

Net Technical Provisions

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

Solvency Capital

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

Solvency Ratio

Solvency capital in relation to net premium Income.