Sirius International Insurance Group, Ltd.
Unaudited Interim Consolidated Financial Statements
March 31, 2018

Sirius International Insurance Group, Ltd.
Index to the Unaudited Interim Consolidated Financial Statements

Sirius International Insurance Group, Ltd.

Consolidated Balance Sheets

As at March 31, 2018 and December 31, 2017

(Expressed in millions of U.S. dollars, except share information)	March 31, 2018 Unaudited	December 31, 2017
Assets		
Fixed maturity investments, trading at fair value (*Amortized cost 2018: $2,072.3; 2017: $2,195.3*)	$ 2,059.0	$ 2,180.0
Short-term investments, at fair value (*Amortized cost 2018: $810.6; 2017: $625.3*)	801.0	625.0
Equity securities, trading at fair value (*Cost 2018: $339.2; 2017: $275.1*)	369.7	299.2
Other long-term investments, at fair value (*Cost 2018: $266.5; 2017: $255.5*)	286.8	269.5
Cash	174.9	215.8
Restricted cash	16.6	14.8
Total investments and cash	3,708.0	3,604.3
Accrued investment income	13.6	14.1
Insurance and reinsurance premiums receivable	723.7	543.6
Reinsurance recoverable on unpaid losses	327.8	319.7
Reinsurance recoverable on paid losses	21.2	17.5
Funds held by ceding companies	162.3	153.2
Ceded unearned insurance and reinsurance premiums	173.0	106.6
Deferred acquisition costs	151.0	120.9
Deferred tax asset	217.6	244.1
Accounts receivable on unsettled investment sales	0.2	0.3
Goodwill	401.3	401.0
Intangible assets	212.3	216.3
Other assets	92.6	82.0
Total assets	**$ 6,204.6**	**$ 5,823.6**
Liabilities		
Loss and loss adjustment expense reserves	$ 1,875.9	$ 1,898.5
Unearned insurance and reinsurance premiums	765.9	506.8
Ceded reinsurance payable	182.8	139.1
Funds held under reinsurance treaties	82.5	73.4
Deferred tax liability	253.1	282.2
Debt	717.6	723.2
Accounts payable on unsettled investment purchases	97.3	0.3
Other liabilities	173.2	176.8
Total liabilities	**4,148.3**	**3,800.3**
Commitments and Contingencies (See Note 18)		
Mezzanine equity		
Series A redeemable preference shares	**108.8**	**106.1**
Common shareholder's equity		
Common shares (*shares issued and outstanding: 120,000,000*)	1.2	1.2
Additional paid-in surplus	1,199.3	1,197.9
Retained earnings	900.4	858.4
Accumulated other comprehensive (loss)	(153.9)	(140.5)
Total common shareholder's equity	**1,947.0**	**1,917.0**
Non-controlling interests	**0.5**	**0.2**
Total equity	**1,947.5**	**1,917.2**
Total liabilities, mezzanine equity, and equity	**$ 6,204.6**	**$ 5,823.6**

See Notes to Consolidated Financial Statements

Sirius International Insurance Group, Ltd.

Consolidated Statements of Income

For the Three Months Ended March 31, 2018 and 2017

Unaudited

(Expressed in millions of U.S. dollars, except share and per share information)	Three months ended March 31, 2018	2017
Revenues		
Net earned insurance and reinsurance premiums	$ 284.5	$ 223.9
Net investment income	10.8	15.5
Net realized investment (losses)	(3.7)	(4.6)
Net unrealized investment gains (losses)	16.0	(6.2)
Net foreign exchange (losses)	(3.5)	(2.2)
Other revenue	23.4	(0.5)
Total revenues	**327.5**	**225.9**
Expenses		
Loss and loss adjustment expenses	141.0	122.3
Insurance and reinsurance acquisition expenses	63.0	49.5
Other underwriting expenses	43.2	27.1
General and administrative expenses	14.3	16.2
Intangible asset amortization expenses	3.9	—
Interest expense on debt	7.7	4.8
Total expenses	**273.1**	**219.9**
Pre-tax income	**54.4**	**6.0**
Income tax (expense) benefit	(11.1)	1.1
Net income	**43.3**	**7.1**
Income attributable to non-controlling interests	(0.2)	0.6
Income before accrued dividends on Series A redeemable preference shares	**43.1**	**7.7**
Accrued dividends on Series A redeemable preference shares	(2.6)	—
Net income attributable to Sirius Group's common shareholder	**$ 40.5**	**$ 7.7**
Net (Loss) income per common share and common share equivalent		
Basic earnings per common share and common share equivalent	$ 0.32	$ 0.06
Diluted earnings per common share and common share equivalent	$ 0.32	$ 0.06
Weighted average number of common shares and common share equivalents outstanding:		
Basic weighted average number of common shares and common share equivalents outstanding	120,000,000	120,000,000
Diluted weighted average number of common shares and common share equivalents outstanding	120,000,000	120,000,000

See Notes to Consolidated Financial Statements

Sirius International Insurance Group, Ltd.

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2018 and 2017

Unaudited

(Expressed in millions of U.S. dollars)	Three months ended March 31, 2018	2017
Comprehensive Income		
Net income	$ 43.3	$ 7.1
Other comprehensive (loss) income		
Change in foreign currency translation, net of tax	(13.4)	13.7
Total other comprehensive (loss) income	**(13.4)**	**13.7**
Comprehensive income	**29.9**	**20.8**
Net (income) loss attributable to non-controlling interests	(0.2)	0.6
Comprehensive income attributable to Sirius Group's common shareholder	**$ 29.7**	**$ 21.4**

See Notes to Consolidated Financial Statements

Sirius International Insurance Group, Ltd.

Consolidated Statements of Shareholder's Equity

For the Three Months Ended March 31, 2018 and 2017

Unaudited

(Expressed in millions of U.S. dollars)	Three months ended March 31, 2018	Three months ended March 31, 2017
Common shares		
Balance at beginning and end of period	$ 1.2	$ 1.2
Additional paid-in surplus		
Balance at beginning of period	1,197.9	1,184.6
Capital contribution from former parent	1.4	7.9
Balance at end of period	1,199.3	1,192.5
Retained earnings		
Balance at beginning of period	858.4	1,014.5
Cumulative effect of an accounting change (See **Note 2**)	1.6	—
Balance at beginning of period, as adjusted	860.0	1,014.5
Net income	43.3	7.1
Income attributable to non-controlling interests	(0.2)	0.6
Accrued dividends on Series A redeemable preference shares	(2.6)	—
Other, net	(0.1)	—
Balance at end of period	900.4	1,022.2
Accumulated other comprehensive (loss)		
Balance at beginning of period	(140.5)	(212.2)
Accumulated net foreign currency translation gains (losses)		
Balance at beginning of period	(140.5)	(212.2)
Net change in foreign currency translation	(13.4)	13.7
Balance at the end of period	(153.9)	(198.5)
Balance at the end of period	(153.9)	(198.5)
Total common shareholder's equity	**$ 1,947.0**	**$ 2,017.4**
Non-controlling interests	0.5	250.7
Total equity	$ 1,947.5	$ 2,268.1

See Notes to Consolidated Financial Statements

Table of Contents

Sirius International Insurance Group, Ltd.

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2018 and 2017

Unaudited

(Expressed in millions of U.S. dollars)	Three months ended March 31, 2018	Three months ended March 31, 2017
Cash flows from operations:		
Net income attributable to common shareholder	$ 40.5	$ 7.7
Adjustments to reconcile net income to net cash provided from (used for) operations:		
Net realized and unrealized investment gains (losses)	(12.3)	10.8
Amortization of premium on fixed maturity investments	4.4	5.7
Amortization of intangible assets	3.9	—
Depreciation and other amortization	2.5	2.5
Accrued dividends on Series A redeemable preference shares	2.6	—
Other operating items:		
Net change in loss and loss adjustment expense reserves	(4.2)	7.9
Net change in reinsurance recoverable on paid and unpaid losses	(17.8)	3.6
Net change in funds held by ceding companies	(12.2)	(26.2)
Net change in unearned insurance and reinsurance premiums	271.8	187.7
Net change in ceded reinsurance payable	47.6	36.3
Net change in ceded unearned insurance and reinsurance premiums	(71.6)	(54.9)
Net change in insurance and reinsurance premiums receivable	(192.2)	(161.8)
Net change in deferred acquisition costs	(31.8)	(17.4)
Net change in funds held under reinsurance treaties	10.4	9.9
Net change in current and deferred income taxes, net	2.2	(5.4)
Net change in other assets and liabilities, net	(21.4)	(10.7)
Net cash provided from (used for) operations	**22.4**	**(4.3)**
Cash flows from investing activities:		
Net change in short-term investments	(180.0)	(126.5)
Sales of fixed maturities and convertible fixed maturity investments	566.2	528.4
Maturities, calls, and paydowns of fixed maturity and convertible fixed maturity investments	24.0	17.2
Sales of common equity securities	111.7	20.2
Distributions and redemptions of other long-term investments	52.4	10.4
Contributions to other long-term investments	(64.4)	(28.8)
Purchases of common equity securities	(179.8)	(1.9)
Purchases of fixed maturities and convertible fixed maturity investments	(486.8)	(337.7)
Net change in unsettled investment purchases and sales	97.2	7.3
Other, net	(0.9)	(1.8)
Net cash (used for) provided from investing activities	**(60.4)**	**86.8**
Cash flows from financing activities:		
Capital contribution from former parent	1.4	7.9
Other, net	—	(0.1)
Net cash provided from financing activities	**1.4**	**7.8**
Effect of exchange rate changes on cash	(2.5)	1.1
Net (decrease) increase in cash during period	(39.1)	91.4
Cash and restricted cash balance at beginning of period	230.6	137.1
Cash and restricted cash balance at end of period	**$ 191.5**	**$ 228.5**

See Notes to Consolidated Financial Statements

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2018

Note 1. General

Sirius International Insurance Group, Ltd. (the "Company") is a Bermuda exempted company whose principal businesses are conducted through its wholly and majority owned insurance subsidiaries (collectively with the Company, "Sirius Group"). The company provides insurance, reinsurance, and insurance services on a worldwide basis.

Note 2. Summary of significant accounting policies

Basis of presentation

The accompanying unaudited consolidated financial statements at March 31, 2018, have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial information. The accompanying unaudited consolidated financial statements present the consolidated results of operations, financial condition, and cash flows of the Company and its subsidiaries and those entities in which the Company has control and a majority economic interest as well as those variable interest entities ("VIEs") that meet the requirements for consolidation. All intercompany transactions have been eliminated in consolidation.

These unaudited consolidated financial statements do not include all disclosures normally included in annual financial statements prepared in accordance with GAAP and should be read in conjunction with the audited Consolidated Financial Statements and the related notes for the year ended December 31, 2017. The consolidated financial information as of December 31, 2017 included herein has been derived from the audited Consolidated Financial Statements as of December 31, 2017.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting of normally recurring accruals) necessary for a fair statement of results on an interim basis. Tabular dollar amounts are in millions, with the exception of share and per share amounts. All amounts are reported in U.S. dollars, except where noted otherwise.

Recently adopted changes in accounting principles

Definition of a business

Effective January 1, 2018, Sirius Group adopted Accounting Standards Update ("ASU") 2017-01, *Business Combinations: Clarifying the Definition of a Business* (Accounting Standards Codification ("ASC") 805), which clarifies the definition of a business and affects the determination of whether acquisitions or disposals are accounted for as assets or as a business. Under the new guidance, when substantially all of the fair value of the assets is concentrated in a single identifiable asset or a group of similar identifiable assets, it is not a business. Sirius Group has not had any transactions falling within the scope of the guidance during the three months ended March 31, 2018 and, accordingly, adoption did not have any impact on Sirius Group's financial statements.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 2. Summary of significant accounting policies (Continued)

Financial instruments—recognition and measurement

Effective January 1, 2018, Sirius Group adopted ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASC 825-10). The new guidance modifies the guidance for financial instruments, including investments in equity securities. Under the new guidance, all equity securities with readily determinable fair values are required to be measured at fair value with changes therein recognized through current period earnings. In addition, the new guidance requires a qualitative assessment for equity securities without readily determinable fair values to identify impairment, and for impaired equity securities to be measured at fair value. Sirius Group measures its portfolio of investment securities at fair value with changes therein recognized through current period earnings and, accordingly, adoption did not have any impact on its financial statements.

Revenue recognition

Effective January 1, 2018, Sirius Group adopted ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which modifies the guidance for revenue recognition. The scope of the new guidance excludes insurance contracts but is applicable to certain fee arrangements as well as commissions and other non-insurance revenues. This guidance impacts the timing of service fee recognition by International Medical Group Acquisition, Inc., ("IMG") and ArmadaCorp Capital, LLC ("Armada"). Sirius Group used the modified retrospective transition approach to adopt this guidance which resulted in the recognition of a cumulative effect of adoption as an adjustment to the beginning balance of retained earnings at the date of initial application of $1.6 million, net of tax.

Recent accounting pronouncements

Premium amortization on callable debt securities

In March 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities* (ASC 310-20), which changes the amortization period for certain purchased callable debt securities. Under the new guidance, for investments in callable debt securities held at a premium, the premium will be amortized over the period to the earliest call date. The new guidance does not change the amortization period for callable debt securities held at a discount. The new guidance is effective for annual and interim periods beginning after December 15, 2018. Sirius Group does not expect adoption to have any effect on its financial statements.

Credit losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASC 326), which establishes new guidance for the recognition of credit losses for financial assets measured at amortized cost. The new guidance, which applies to financial assets that have the contractual right to receive cash, including reinsurance receivables, requires reporting entities to estimate the credit losses expected over the life of a credit exposure using historical information, current information and reasonable and supportable forecasts that affect the collectability of the financial asset. The new guidance is effective for annual and interim periods beginning after December 15, 2019. Sirius Group is evaluating the expected impact of this new guidance.

Note 2. Summary of significant accounting policies (Continued)

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under existing guidance recognition of lease assets and liabilities is not required for operating leases. The lease assets and liabilities to be recognized are both measured initially based on the present value of the lease payments. The new guidance is effective for Sirius Group for annual and interim periods beginning after December 15, 2018. Sirius Group is evaluating the expected impact of this new guidance and available adoption methods.

Note 3. Significant transactions

Sirius Group completed the following transactions:

- On May 26, 2017, Sirius Group acquired 100% ownership of IMG and its subsidiaries, a leading provider of global travel medical insurance products and assistance services. The purchase of IMG was undertaken to expand on Sirius Group's existing Global Accident and Health ("Global A&H") platform and to accelerate the growth strategy of the Global A&H international insurance business, to add service fee revenues to Sirius Group's existing risk-transfer based insurance revenues, and to gain access to IMG's distribution networks and client base. Total consideration consisted of $250.8 million of cash, $100.0 million of Series A redeemable preference shares that are convertible into common shares, and up to $50.0 million of contingent consideration ("IMG Earnout") payable in Series A redeemable preference shares, which was stated as $43.1 million at fair value at acquisition date, resulting in a total enterprise value of $393.9 million. Sirius Group assumed certain IMG debt of $129.5 million, reducing its cash consideration by that amount and resulting in a total equity consideration of $264.4 million.

At March 31, 2018 and December 31, 2017, the IMG Earnout was remeasured at a fair value of $29.5 million and is reflected within Other liabilities.

For further information regarding the acquisition of IMG, please refer to "**Note 3. Significant transactions**", included within the Company's Consolidated Financial Statements and the related notes for the year ended December 31, 2017.

- On April 3, 2017, Sirius Group purchased 100% of Armada and its subsidiaries from Armada Enterprises LLC ("Seller"). Armada is an insurance services and health care technology business that creates specialty employee benefit products and serves to strengthen health care coverage and access. The purchase of Armada was undertaken to expand and accelerate the growth of Sirius Group's Global A&H platform in the United States, to diversify Sirius Group's revenues to include fee based revenues, and to gain access to Armada's distribution networks. Total consideration for the acquisition consisted of (1) the purchase of 50% of Armada by Sirius Group for $123.4 million, and (2) the redemption by Armada of the remaining 50% held by Seller for a redemption price based on a three year contingent earn-out mechanism that could result in an additional payment to Seller of up to $125.0 million ("Armada Earnout"), with fair value of $79.1 million at acquisition date, resulting in a total enterprise value of $202.5 million.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 3. Significant transactions (Continued)

At March 31, 2018 and December 31, 2017 Armada Earnout was remeasured at a fair value of $13.3 million and is reflected within Other liabilities.

For further information regarding the acquisition of Armada, please refer to "**Note 3. Significant transactions**", included within the Company's Consolidated Financial Statements and the related notes for the year ended December 31, 2017.

Note 4. Segment information

Sirius Group classifies its business into four reportable segments—Global Property, Global Accident and Health ("Global A&H"), Specialty and Casualty ("Specialty & Casualty"), and Runoff and Other ("Runoff & Other"). The accounting policies of the reportable segments are the same as those used for the preparation of the Company's consolidated financial statements.

The Company's Global Property, Global A&H, Specialty & Casualty, and Runoff & Other reportable segments each have managers who are responsible for the overall profitability of their respective segments and who are directly accountable to the Company's chief operating decision maker, the Chief Executive Officer ("CEO") of the Company. The CEO assesses segment operating performance, allocates capital, and makes resource allocation decisions based on Technical profit (loss), Underwriting profit (loss), and Underwriting profit (loss), including net service fee revenue.

Segment results are shown prior to corporate eliminations. Corporate eliminations are shown to reconcile to consolidated Technical profit (loss), consolidated Underwriting profit (loss) and consolidated Underwriting profit (loss), including net service fee revenue.

Sirius Group does not allocate its assets by segment, with the exception of goodwill and intangible assets, and, accordingly, investment income is not allocated to each segment.

Global Property

Global Property consists of Sirius Group's underwriting lines of business which offer other property insurance and reinsurance, property catastrophe excess reinsurance, and agriculture reinsurance on a worldwide basis:

Other Property—Sirius Group participates in the broker market for property reinsurance treaties written on a proportional and excess of loss basis. For Sirius Group's international business, the book consists of treaty, written on both a proportional and excess of loss basis, facultative, and primary business, primarily in Europe, Asia and Latin America. In the United States, the book predominantly centers on significant participations on proportional and excess of loss treaties mostly in the excess and surplus lines segment of the market.

Property Catastrophe Excess—Property catastrophe excess of loss reinsurance treaties cover losses from catastrophic events. Sirius Group writes a worldwide book with the largest concentration of exposure in Europe and the United States. The U.S. book written in Bermuda has a national account focus supporting principally the lower and/or middle layers of large capacity programs. Additionally, Stockholm writes a U.S. book mainly consisting of select small regional and standard lines carriers. The

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 4. Segment information (Continued)

exposures written in the international book are diversified across many countries, regions, perils and layers.

Agriculture—Sirius Group provides stop-loss reinsurance coverage to companies writing U.S. government-sponsored multi-peril crop insurance ("MPCI"). Sirius Group's participation is net of the government's stop-loss reinsurance protection. Sirius Group also provides coverage for crop-hail and certain named perils when bundled with MPCI business. Sirius Group also writes agriculture business outside of the United States.

Global A&H

Global A&H consists of Sirius Group's Global A&H insurance and reinsurance underwriting unit along with two managing general underwriters ("MGU") (Armada and IMG):

Accident and Health insurance and reinsurance—Sirius Group is an insurer of accident and health insurance business in the United States, either on an admitted or surplus lines basis, as well as international business written through IMG. Sirius Group also writes proportional and excess treaties covering employer medical stop-loss for per person (specific) and per employer (aggregate) exposures. In addition, Sirius Group writes some medical, health, travel and personal accident coverages written on a treaty, facultative and primary basis.

*IMG i*s a full service provider of global health & travel insurance benefits and assistance service. IMG offers various international medical insurance products, trip cancellation programs, medical management service and 24/7 emergency medical and travel assistance.

Armada is a specialty health services business that strengthens health care coverage through ArmadaGlobal and ArmadaHealth. ArmadaGlobal is a supplemental medical insurance MGU that markets and underwrites supplemental health products. ArmadaHealth is a health care data science business that focuses on the physician referral process.

Specialty & Casualty

Specialty & Casualty consists of Sirius Group's insurance and reinsurance underwriting units which offer specialty & casualty product lines on a worldwide basis. Specialty lines represent unique risks where the more difficult and unusual risks are underwritten. Because specialty lines tend to be the more unusual or higher risks, much of the market is characterized by a high degree of specialization:

Aviation & Space provides aviation insurance that covers loss of or damage to an aircraft and the aircraft operations' liability to passengers, cargo and hull as well as to third parties. Additionally, liability arising out of non-aircraft operations such as hangars, airports and aircraft products can be covered. Space insurance primarily covers loss of or damage to a satellite during launch and in orbit. The book consists of treaty, written on both a proportional and excess of loss basis, facultative, and primary business.

Marine provides marine reinsurance, primarily written on an excess of loss and proportional basis. Coverage offered includes damage to ships and goods in transit, marine liability lines, and offshore

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 4. Segment information (Continued)

energy industry insurance. Sirius Group also writes yacht business, both on reinsurance and a primary basis. The marine portfolio is diversified across many countries and regions.

Trade credit writes credit and bond reinsurance worldwide. The bulk of the business is traditional short-term commercial credit insurance, covering pre-agreed domestic and export sales of goods and services with typical coverage periods of 60 to 120 days. Losses under these policies are correlated to adverse changes in a respective country's gross national product.

Contingency—Sirius Group underwrites contingency insurance for event cancellation and non-appearance, primarily on a primary policy and facultative reinsurance basis. Additionally, coverage for liabilities arising from contractual bonus, prize redemption and over-redemption is also offered. The contingency portfolio is diversified across many countries and regions.

Casualty—Sirius Group underwrites a cross section of all casualty lines, including general liability, umbrella, auto, workers compensation, professional liability, and other specialty classes, written on a proportional and excess of loss basis.

Surety—Sirius Group underwrites commercial surety bonds, including non-construction contract bonds, in a broad range of business segments in the United States.

Environmental—Sirius Group underwrites a pure environmental insurance book in the United States consisting of four core products that revolve around pollution coverage, which are premises pollution liability, contractor's pollution liability, contractor's pollution and professional liability.

Runoff & Other

Runoff & Other consists of asbestos risks, environmental risks and other latent liability exposures, and results from Sirius Global Solutions. Sirius Global Solutions is a Connecticut-based division of Sirius Group specializing in the acquisition and management of runoff liabilities for insurance and reinsurance companies, both in the United States and internationally.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 4. Segment information (Continued)

The following tables summarize the segment results for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31, 2018					
	Global Property	Global A&H	Specialty & Casualty	Runoff & Other	Corporate Elimination	Total
	(Millions)					
Gross written premiums	$ 346.6	$ 145.6	$ 115.5	$ 7.5	$ —	$ 615.2
Net written premiums	$ 247.2	$ 115.5	$ 100.6	$ 6.1	$ —	$ 469.4
Net earned insurance and reinsurance premiums	$ 136.1	$ 88.0	$ 54.4	$ 6.0	$ —	$ 284.5
Loss and allocated LAE(1)	(70.4)	(45.8)	(21.6)	2.4	—	(135.4)
Insurance and reinsurance acquisition expenses	(29.3)	(29.2)	(14.1)	(0.7)	10.3	(63.0)
Technical profit	**36.4**	**13.0**	**18.7**	**7.7**	**10.3**	**86.1**
Unallocated LAE(2)	(1.9)	(1.6)	(1.2)	(0.9)	—	(5.6)
Other underwriting expenses	(17.4)	(8.0)	(8.0)	(1.4)	(8.4)	(43.2)
Underwriting income	**17.1**	**3.4**	**9.5**	**5.4**	**1.9**	**37.3**
Service fee revenue(3)	—	32.8	—	—	(10.3)	22.5
Managing general underwriter other underwriting expenses(4)	—	(8.4)	—	—	8.4	—
General and administrative expenses, MGU + Runoff & Other(5)	—	(9.5)	—	(1.1)	—	(10.6)
Underwriting income (loss), including net service fee income	**17.1**	**18.3**	**9.5**	**4.3**	**—**	**49.2**
Net investment income						10.8
Net realized investment (losses) gains						(3.7)
Net unrealized investment (losses) gains						16.0
Net foreign exchange gains (losses)						(3.5)
Other revenue(6)						0.9
General and administrative expenses(7)						(3.7)
Intangible asset amortization expenses						(3.9)
Interest expense on debt						(7.7)
Pre-tax income						**$ 54.4**
Underwriting Ratios						
Loss ratio	53.1%	53.9%	41.9%	NM	NM	49.6%
Acquisition expense ratio	21.5%	33.2%	25.9%	NM	NM	22.1%
Other underwriting expense ratio	12.8%	9.1%	14.7%	NM	NM	15.2%
Combined ratio(8)	87.4%	96.2%	82.5%	NM	NM	86.9%
Goodwill and intangible assets(9)	$ —	$ 608.6	$ —	$ 5.0	$ —	$ 613.6

(1) Loss and allocated LAE are part of Loss and loss adjustment expenses on the Consolidated Statements of Income (the sum of Loss and allocated LAE and Unallocated LAE is equal to Loss and loss adjustment expenses on the Consolidated Statements of Income).

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 4. Segment information (Continued)

(2) Unallocated LAE are part of Loss and loss adjustment expenses on the Consolidated Statements of Income (the sum of Loss and allocated LAE and Unallocated LAE is equal to Loss and loss adjustment expenses on the Consolidated Statements of Income).

(3) Service fee revenue is part of Other revenue on the Consolidated Statements of Income (the sum of Service fee revenue and Other revenue is equal to Other revenue on the Consolidated Statements of Income).

(4) Managing general underwriter other underwriting expenses represent IMG and Armada generated operating expenses following their integration with the Accident and Health insurance and reinsurance underwriting unit, representing costs associated with the underwriting process. In prior periods, all Armada and IMG expenses were disclosed within General and administrative expenses, MGU + Runoff & Other.

(5) General and administrative expenses, MGU + Runoff & Other is part of General and administrative expenses on the Consolidated Statements of Income (the sum of General and administrative expenses, MGU + Runoff & Other and General and administrative expenses is equal to General and administrative expenses on the Consolidated Statements of Income).

(6) Other revenue is presented net of Service fee revenue (the sum of Service fee revenue and Other revenue is equal to Other revenue on the Consolidated Statements of Income)

(7) General and administrative expenses are presented net of General and administrative expenses, MGU + Runoff & Other (the sum of General and administrative expenses, MGU + Runoff & Other and General and administrative expenses is equal to General and administrative expenses on the Consolidated Statements of Income).

(8) Ratios considered not meaningful ("NM") to Runoff & Other and Corporate Elimination.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 4. Segment information (Continued)

(9) Sirius Group does not allocate its assets by segment, with the exception of goodwill and intangible assets.

	For the three months ended March 31, 2017					
	Global Property	Global A&H	Specialty & Casualty	Runoff & Other	Corporate Elimination	Total
			(Millions)			
Gross written premiums	$ 283.9	$ 135.6	$ 81.2	$ 5.6	$ —	$ 506.3
Net written premiums	$ 199.4	$ 86.3	$ 69.4	$ 0.6	$ —	$ 355.7
Net earned insurance and reinsurance premiums	$ 119.5	$ 65.6	$ 37.9	$ 0.9	$ —	$ 223.9
Loss and allocated LAE(1)	(60.8)	(39.8)	(17.8)	1.3	—	(117.1)
Insurance and reinsurance acquisition expenses	(24.9)	(16.2)	(8.9)	0.5	—	(49.5)
Technical profit	**33.8**	**9.6**	**11.2**	**2.7**	**—**	**57.3**
Unallocated LAE(2)	(2.0)	(2.0)	(1.0)	(0.2)	—	(5.2)
Other underwriting expenses	(14.8)	(6.8)	(4.1)	(1.4)	—	(27.1)
Underwriting income	**17.0**	**0.8**	**6.1**	**1.1**	**—**	**25.0**
Service fee revenue(3)	—	—	—	—	—	—
Managing general underwriter other underwriting expenses(4)	—	—	—	—	—	—
General and administrative expenses, MGU + Runoff & Other(5)	—	—	—	(1.6)	—	(1.6)
Underwriting income (loss), including net service fee income	**17.0**	**0.8**	**6.1**	**(0.5)**	**—**	**23.4**
Net investment income						15.5
Net realized investment (losses) gains						(4.6)
Net unrealized investment (losses) gains						(6.2)
Net foreign exchange gains (losses)						(2.2)
Other revenue(6)						(0.5)
General and administrative expenses(7)						(14.6)
Intangible asset amortization expenses						—
Interest expense on debt						(4.8)
Pre-tax income						**$ 6.0**
Underwriting Ratios						
Loss ratio	52.6%	63.7%	49.6%	NM	NM	54.6%
Acquisition expense ratio	20.8%	24.7%	23.5%	NM	NM	22.1%
Other underwriting expense ratio	12.4%	10.4%	10.8%	NM	NM	12.1%
Combined ratio(8)	85.8%	98.8%	83.9%	NM	NM	88.8%
Goodwill and intangible assets(9)	$ —	$ —	$ —	$ 5.0	$ —	$ 5.0

(1) Loss and allocated LAE are part of Loss and loss adjustment expenses on the Consolidated Statements of Income (the sum of Loss and allocated LAE and Unallocated LAE is equal to Loss and loss adjustment expenses on the Consolidated Statements of Income).

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 4. Segment information (Continued)

(2) Unallocated LAE are part of Loss and loss adjustment expenses on the Consolidated Statements of Income (the sum of Loss and allocated LAE and Unallocated LAE is equal to Loss and loss adjustment expenses on the Consolidated Statements of Income).

(3) Service fee revenue is part of Other revenue on the Consolidated Statements of Income (the sum of Service fee revenue and Other revenue is equal to Other revenue on the Consolidated Statements of Income).

(4) Managing general underwriter other underwriting expenses represent IMG and Armada generated operating expenses following their integration with the Accident and Health insurance and reinsurance underwriting unit, representing costs associated with the underwriting process. In prior periods, all Armada and IMG expenses were disclosed within General and administrative expenses, MGU + Runoff & Other.

(5) General and administrative expenses, MGU + Runoff & Other is part of General and administrative expenses on the Consolidated Statements of Income (the sum of General and administrative expenses, MGU + Runoff & Other and General and administrative expenses is equal to General and administrative expenses on the Consolidated Statements of Income).

(6) Other revenue is presented net of Service fee revenue (the sum of Service fee revenue and Other revenue is equal to Other revenue on the Consolidated Statements of Income)

(7) General and administrative expenses are presented net of General and administrative expenses, MGU + Runoff & Other (the sum of General and administrative expenses, MGU + Runoff & Other and General and administrative expenses is equal to General and administrative expenses on the Consolidated Statements of Income).

(8) Ratios considered not meaningful ("NM") to Runoff & Other and Corporate Elimination.

(9) Sirius Group does not allocate its assets by segment, with the exception of goodwill and intangible assets.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 4. Segment information (Continued)

The following tables provide summary information regarding net premiums written by client location and underwriting location by reportable segment for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31, 2018				
	Global Property	Global A&H	Specialty & Casualty	Runoff & Other	Total
			(Millions)		
Net written premiums by client location:					
United States	$ 87.0	$ 87.5	$ 37.3	$ 6.1	$ 217.9
Europe	106.3	11.6	50.3	—	168.2
Canada, the Caribbean, Bermuda and Latin America	23.2	4.8	2.6	—	30.6
Asia and Other	30.7	11.6	10.4	—	52.7
Total net written premium by client location	**$ 247.2**	**$ 115.5**	**$ 100.6**	**$ 6.1**	**$ 469.4**
Net written premiums by underwriting location:					
United States	$ 5.3	$ 21.0	$ (0.1)	$ 6.1	$ 32.3
Europe	136.5	68.6	72.0	—	277.1
Canada, the Caribbean, Bermuda and Latin America	89.8	25.7	27.5	—	143.0
Asia and Other	15.6	0.2	1.2	—	17.0
Total written premiums by underwriting location	**$ 247.2**	**$ 115.5**	**$ 100.6**	**$ 6.1**	**$ 469.4**

	For the three months ended March 31, 2017				
	Global Property	Global A&H	Specialty & Casualty	Runoff & Other	Total
			(Millions)		
Net written premiums by client location:					
United States	$ 74.0	$ 67.9	$ 12.2	$ 0.6	$ 154.7
Europe	84.0	8.5	37.3	—	129.8
Canada, the Caribbean, Bermuda and Latin America	18.1	2.8	3.6	—	24.5
Asia and Other	23.3	7.1	16.3	—	46.7
Total net written premium by client location	**$ 199.4**	**$ 86.3**	**$ 69.4**	**$ 0.6**	**$ 355.7**
Net written premiums by underwriting location:					
United States	$ 23.4	$ 23.5	$ (1.0)	$ 0.6	$ 46.5
Europe	115.8	38.6	64.0	—	218.4
Canada, the Caribbean, Bermuda and Latin America	50.7	24.0	5.0	—	79.7
Asia and Other	9.5	0.2	1.4	—	11.1
Total written premiums by underwriting location	**$ 199.4**	**$ 86.3**	**$ 69.4**	**$ 0.6**	**$ 355.7**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 5. Reserves for unpaid losses and loss adjustment expenses

The following table summarizes the loss and LAE reserve activities of Sirius Group for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Millions)	
Gross beginning balance	**$ 1,898.5**	**$ 1,620.1**
Less beginning reinsurance recoverable on unpaid losses	(319.7)	(291.5)
Net loss and LAE reserve balance	1,578.8	1,328.6
Losses and LAE incurred relating to:		
Current year losses	143.5	115.2
Prior years losses	(2.5)	7.1
Total net incurred losses and LAE	**141.0**	**122.3**
Foreign currency translation adjustment to net loss and LAE reserves	6.7	6.6
Loss and LAE paid relating to:		
Current year losses	31.3	26.7
Prior years losses	147.1	86.0
Total loss and LAE payments	**178.4**	**112.7**
Net ending balance	1,548.1	1,344.8
Plus ending reinsurance recoverable on unpaid losses	327.8	293.6
Gross ending balance	**$ 1,875.9**	**$ 1,638.4**

Loss and LAE development—Three Months Ended March 31, 2018

For the three months ended March 31, 2018, Sirius Group had net favorable loss reserve development of $2.5 million. The major reductions in loss reserve estimates were recorded in Specialty & Casualty ($7.1 million), Runoff & Other ($8.9 million), and Global A&H ($3.7 million). Favorable loss reserve development for Runoff & Other included reduction in World Trade Center claims in response to revised information received by the Company. These reductions were partially offset by increases in Global Property loss reserve development of $17.2 million resulting from higher than expected reporting from recent accident years, including $6.4 million of increases from natural catastrophes, including the 2017 North American natural catastrophes. Also, in Other Property, there was loss deterioration from recent accident years reported in client account statements received in the first quarter, which accounted for the remainder of Global Property unfavorable loss development in the first quarter 2018.

Loss and LAE development—Three Months Ended March 31, 2017

For the three months ended March 31, 2017, Sirius Group had net unfavorable loss reserve development of $7.1 million. The major increases in loss reserve estimates were recorded in Global Property $11.9 million due to late reported losses on 2016 natural catastrophes and higher than expected losses on proportional reinsurance treaties. These increases were partially offset by reserve

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 5. Reserves for unpaid losses and loss adjustment expenses (Continued)

reductions in Global A&H ($2.0 million), Specialty & Casualty ($1.5 million), and Runoff & Other ($1.3 million).

Note 6. Third party reinsurance

In the normal course of business, Sirius Group seeks to protect its businesses from losses due to concentration of risk and losses arising from catastrophic events by reinsuring with third-party reinsurers. Sirius Group remains liable for risks reinsured in the event that the reinsurer does not honor its obligations under reinsurance contracts.

At March 31, 2018, Sirius Group had reinsurance recoverables on paid losses of $21.2 million and reinsurance recoverables of $327.8 million on unpaid losses. At December 31, 2017, Sirius Group had reinsurance recoverables on paid losses of $17.5 million and reinsurance recoverables of $319.7 million on unpaid losses. Because retrocessional reinsurance contracts do not relieve Sirius Group of its obligation to its insureds, the collectability of balances due from Sirius Group's reinsurers is important to its financial strength. Sirius Group monitors the financial strength and ratings of retrocessionaires on an ongoing basis. Uncollectible amounts historically have not been significant.

Note 7. Investment securities

Sirius Group's invested assets consist of investment securities and other long-term investments held for general investment purposes. The portfolio of investment securities includes fixed maturity investments, short-term investments, equity securities, and other-long term investments which are all classified as trading securities. All securities and other long-term investments are classified as trading securities. Realized and unrealized investment gains and losses on trading securities are reported in pre-tax revenues.

Net Investment Income

Sirius Group's net investment income is comprised primarily of interest income along with associated amortization of premium and accretion of discount on Sirius Group's fixed maturity investments, dividend income from its equity investments, and interest income from its short-term investments.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

Net investment income for the three months ended March 31, 2018 and 2017 consisted of the following:

	For the three months ended March 31, 2018	2017
	(Millions)	
Fixed maturity investments	$ 9.9	$ 14.4
Short-term investments	0.8	0.3
Equity securities	1.2	1.0
Other long-term investments	1.2	2.3
Total investment income	**13.1**	**18.0**
Investment expenses	(2.3)	(2.5)
Net investment income	**$ 10.8**	**$ 15.5**

Net Realized and Unrealized Investment (Losses) Gains

Net realized and unrealized investment gains (losses) for the three months ended March 31, 2018 and 2017 consisted of the following:

	For the three months ended March 31, 2018	2017
	(Millions)	
Gross realized gains	$ 8.4	$ 18.0
Gross realized (losses)	(12.1)	(22.6)
Net realized (losses) on investments(1)	**(3.7)**	**(4.6)**
Net unrealized gains (losses) on investments(2)	16.0	(6.2)
Net realized and unrealized investment gains (losses) on investments	**$ 12.3**	**$ (10.8)**

(1) Includes $(1.1) and $(2.5) of realized (losses) due to foreign currency during 2018 and 2017, respectively.

(2) Includes $18.9 and $(12.7) of unrealized gains (losses) due to foreign currency during 2018 and 2017, respectively.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

Net realized investment (losses) gains

Net realized investment gains for the three months ended March 31, 2018 and 2017 consisted of the following:

	For the three months ended March 31, 2018	2017
	(Millions)	
Fixed maturity investments	$ (2.8)	$ (5.4)
Equity securities	(1.5)	1.9
Other long-term investments	0.6	(1.1)
Net realized investment (losses) gains	**$ (3.7)**	**$ (4.6)**

Net unrealized investment (losses) gains

The following table summarizes the net unrealized investment (losses) gains and changes in fair value for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31, 2018	2017
	(Millions)	
Fixed maturity investments	$ 3.0	$ (6.4)
Equity securities	6.4	0.2
Other long-term investments	6.6	—
Net unrealized investment (losses) gains	**$ 16.0**	**$ (6.2)**

The following table summarizes the amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 investments for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31, 2018	2017
	(Millions)	
Fixed maturity investments	$ —	$ (0.1)
Equity securities	—	—
Other long-term investments	0.4	1.0
Total unrealized investment (losses) gains—Level 3 investments	**$ 0.4**	**$ 0.9**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

The components of Sirius Group's net realized and unrealized investment (losses) gains, after-tax, as recorded on the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2018 and 2017 were as follows:

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
	(Millions)	
Change in net unrealized foreign currency (losses) gains on investments through accumulated other comprehensive (loss)	$ (16.9)	$ 14.6
Total investments (losses) gains through accumulated other comprehensive (loss)	(16.9)	14.6
Net realized and unrealized investment gains (losses), after-tax	9.4	(8.1)
Total investment (losses) gains recorded during the period, after-tax	**$ (7.5)**	**$ 6.5**

Investment Holdings

Fixed maturity investments

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and fair value of Sirius Group's fixed maturity investments as of March 31, 2018 and December 31, 2017, were as follows:

	March 31, 2018				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Fair value
			(Millions)		
Corporate debt securities	$ 899.0	$ 1.7	$ (10.0)	$ 3.8	$ 894.5
Residential mortgage-backed securities	465.7	0.5	(9.3)	1.6	458.5
Asset-backed securities	310.9	0.1	(1.2)	(0.4)	309.4
Commercial mortgage-backed securities	209.1	1.7	(3.6)	0.5	207.7
Non-U.S. government and government agency	92.9	0.3	(0.4)	1.0	93.8
U.S. government and government agency	83.5	—	(1.1)	0.9	83.3
Preferred stocks	9.8	0.4	—	0.2	10.4
U.S. States, municipalities and political subdivision	1.4	—	—	—	1.4
Total fixed maturity investments	**$ 2,072.3**	**$ 4.7**	**$ (25.6)**	**$ 7.6**	**$ 2,059.0**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

	December 31, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Fair value
			(Millions)		
Corporate debt securities	$ 1,017.0	$ 3.1	$ (4.8)	$ (0.8)	$ 1,014.5
Residential mortgage-backed securities	259.3	0.1	(5.3)	(2.0)	252.1
Asset-backed securities	478.1	0.4	(0.6)	(2.5)	475.4
Commercial mortgage-backed securities	235.2	0.8	(3.9)	0.3	232.4
Non-U.S. government and government agency	106.8	0.1	(0.9)	1.2	107.2
U.S. government and government agency	85.8	—	(0.8)	(0.2)	84.8
Preferred stocks	9.3	0.3	—	0.2	9.8
U.S. States, municipalities and political subdivision	3.8	—	—	—	3.8
Total fixed maturity investments	**$ 2,195.3**	**$ 4.8**	**$ (16.3)**	**$ (3.8)**	**$ 2,180.0**

The weighted average duration of Sirius Group's fixed income portfolio as of March 31, 2018 was approximately 2.3 years, including short-term investments, and approximately 2.8 years excluding short-term investments.

The cost or amortized cost and fair value of Sirius Group's fixed maturity investments as of March 31, 2018 and December 31, 2017 are presented below by contractual maturity. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

	March 31, 2018		December 31, 2017	
	Cost or amortized cost	Fair value	Cost or amortized cost	Fair value
		(Millions)		
Due in one year or less	$ 149.1	$ 148.7	$ 106.3	$ 106.5
Due after one year through five years	860.6	857.3	1,009.0	1,006.4
Due after five years through ten years	47.5	47.2	71.2	70.8
Due after ten years	19.6	19.8	26.9	26.6
Mortgage-backed and asset-backed securities	985.7	975.6	972.6	959.9
Preferred stocks	9.8	10.4	9.3	9.8
Total	**$ 2,072.3**	**$ 2,059.0**	**$ 2,195.3**	**$ 2,180.0**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

The following table summarizes the ratings and fair value of fixed maturity investments held in Sirius Group's investment portfolio as of March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
	(Millions)	
AAA	$ 522.0	$ 689.4
AA	776.7	635.2
A	368.4	416.4
BBB	269.8	333.8
Other	122.1	105.2
Total fixed maturity investments(1)	**$ 2,059.0**	**$ 2,180.0**

(1) Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's Investor Service.

Mortgage-backed, Asset-backed Securities

Sirius Group purchases commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities ("RMBS") with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. Sirius Group considers sub-prime mortgage-backed securities as those that have underlying loan pools that exhibit weak credit characteristics, or those that are issued from dedicated sub-prime shelves or dedicated second-lien shelf registrations (i.e., Sirius Group considers investments backed primarily by second-liens to be sub-prime risks regardless of credit scores or other metrics).

Sirius Group categorizes mortgage-backed securities as "non-prime" (also called "Alt A" or "A-") if they are backed by collateral that has overall credit quality between prime and sub-prime based on Sirius Group's review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. Sirius Group's non-agency residential mortgage-backed portfolio is generally moderate-term and structurally senior. Sirius Group does not own any collateralized loan obligations or any collateralized debt obligations.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

The following table summarizes the total mortgage and asset-backed securities held at fair value in Sirius Group's investment portfolio as of March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
	(Millions)	
Mortgage-backed securities:		
Agency:		
Government National Mortgage Association	$ 233.9	$ 0.1
Federal National Mortgage Association	143.9	96.6
Federal Home Loan Mortgage Corporation	78.1	142.6
Total Agency(1)	**455.9**	**239.3**
Non-agency:		
Residential	2.6	12.8
Commercial	207.7	232.4
Total Non-agency	**210.3**	**245.2**
Total Mortgage-backed Securities	**666.2**	**484.5**
Asset-backed Securities:		
Credit Card Receivables	32.1	53.0
Vehicle Receivables	170.9	314.6
Other	106.4	107.8
Total Asset-Backed Securities	**309.4**	**475.4**
Total Mortgage and Asset-backed Securities(2)	**$ 975.6**	**$ 959.9**

(1) Represents publicly traded mortgage-backed securities which carry the full faith and credit guaranty of the U.S. government (i.e., GNMA) or are guaranteed by a government sponsored entity (i.e., FNMA, FHLMC).

(2) At March 31, 2018 and December 31, 2017, all mortgage and asset-backed securities held by Sirius Group were classified as Level 2 investments.

Equity securities and Other long-term investments

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and fair values of Sirius Group's equity securities and other long-term investments as of March 31, 2018 and December 31, 2017, were as follows:

	March 31, 2018				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Fair value
			(Millions)		
Equity securities	$ 339.2	$ 31.1	$ (5.7)	$ 5.1	$ 369.7
Other long-term investments	$ 266.5	$ 18.9	$ (3.4)	$ 4.8	$ 286.8

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

	December 31, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Fair value
			(Millions)		
Equity securities	$ 275.1	$ 29.3	$ (5.1)	$ (0.1)	$ 299.2
Other long-term investments	$ 255.5	$ 14.2	$ (4.1)	$ 3.9	$ 269.5

Other long-term investments at fair value consist of the following as of March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
	(Millions)	
Hedge funds and private equity funds	$ 221.9	$ 205.3
Limited liability companies and private equity securities	64.9	64.2
Total other long-term investments	**$ 286.8**	**$ 269.5**

Hedge Funds and Private Equity Funds

Sirius Group holds investments in hedge funds and private equity funds, which are included in other long-term investments. The fair value of these investments has been estimated using the net asset value of the funds. As of March 31, 2018, Sirius Group held investments in 7 hedge funds and 28 private equity funds. The largest investment in a single fund was $33.9 million as of March 31, 2018 and $31.4 million as of December 31, 2017.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

The following table summarizes investments in hedge funds and private equity interests by investment objective and sector as of March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
	(Millions)			
Hedge funds:				
Long/short multi-sector	$ 33.9	$ —	$ 31.5	$ —
Distressed mortgage credit	26.2	—	25.5	—
Other	3.2	—	3.2	—
Total hedge funds	**63.3**	**—**	**60.2**	**—**
Private equity funds:				
Energy infrastructure & services	81.9	48.0	73.5	56.4
Multi-sector	9.6	1.0	9.5	1.0
Healthcare	27.8	26.2	23.4	28.6
Life settlement	22.0	—	21.5	—
Manufacturing/Industrial	16.0	5.1	15.9	5.1
Private equity secondaries	1.1	0.9	1.1	1.0
Real estate	0.2	—	0.2	—
Venture capital	—	—	—	—
Total private equity funds	**158.6**	**81.2**	**145.1**	**92.1**
Total hedge and private equity funds included in other long-term investments	**$ 221.9**	**$ 81.2**	**$ 205.3**	**$ 92.1**

Redemption of investments in certain hedge funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency, and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period.

The following summarizes the March 31, 2018 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

	Notice Period				
Redemption Frequency	30 - 59 days notice	60 - 89 days notice	90 - 119 days notice	120+ days notice	Total
			(Millions)		
Monthly	$ —	$ 33.9	$ —	$ —	$ 33.9
Quarterly	1.0	—	—	—	1.0
Semi-annual	—	1.0	—	—	1.0
Annual	—	—	27.3	0.1	27.4
Total	**$ 1.0**	**$ 34.9**	**$ 27.3**	**$ 0.1**	**$ 63.3**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 7. Investment securities (Continued)

Certain of the hedge fund and private equity fund investments in which Sirius Group is invested are no longer active and are in the process of disposing of their underlying investments. Distributions from such funds are remitted to investors as the fund's underlying investments are liquidated. As of March 31, 2018, no distributions were outstanding from these investments. Investments in private equity funds are generally subject to a "lock-up" period during which investors may not request a redemption. Distributions prior to the expected termination date of the fund may be limited to dividends or proceeds arising from the liquidation of the fund's underlying investments.

In addition, certain private equity funds provide an option to extend the lock-up period at either the sole discretion of the fund manager or upon agreement between the fund and the investors.

As of March 31, 2018, investments in private equity funds were subject to lock-up periods as follows:

	1 - 3 years	3 - 5 years	5 - 10 years	Total
		(Millions)		
Private Equity Funds—expected lock up period remaining	$ 6.2	$ 6.2	$ 146.2	$ 158.6

Investments Held on Deposit or as Collateral

As of March 31, 2018 and December 31, 2017 investments of $583.9 million and $548.2 million, respectively, were held in trusts required to be maintained in relation to various reinsurance agreements. Sirius Group's consolidated reinsurance operations are required to maintain deposits with certain insurance regulatory agencies in order to maintain their insurance licenses. The fair value of such deposits which are included within total investments totaled $583.9 million and $548.4 million as of March 31, 2018 and December 31, 2017, respectively.

As of March 31, 2018, Sirius Group held $0.3 million of collateral in the form short-term investments associated with Interest Rate Cap agreements. (See **Note 11**.)

Unsettled investment purchases and sales

As of March 31, 2018 and December 31, 2017 Sirius Group reported $97.3 million and $0.3 million, respectively, in Accounts payable on unsettled investment purchases.

As of March 31, 2018 and December 31, 2017, Sirius Group reported $0.2 million and $0.3 million, respectively, in Accounts receivable on unsettled investment sales

Note 8. Fair value measurements

Fair value measurements

Fair value measurements are categorized into a hierarchy that distinguishes between inputs based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). Quoted prices in active markets for identical assets or liabilities have the highest priority ("Level 1"), followed by observable inputs other than quoted prices, including prices for similar but not identical assets or liabilities ("Level 2"), and unobservable inputs, including the reporting entity's estimates of the assumptions that market participants would use, having the lowest priority ("Level 3").

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of the valuation technique (for example, from market to cash flow approach) or to use multiple valuation techniques to estimate the fair value of a financial instrument. These circumstances could cause an instrument to be reclassified between levels within fair value hierarchy. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries Bills and Notes, equity securities, and short-term investments. Investments valued using Level 2 inputs are primarily comprised of fixed maturity investments, which have been disaggregated into classes, including U.S. government and government agency, corporate debt securities, mortgage-backed and asset-backed securities, non-U.S. government and government agency, U.S. state and municipalities and political sub division and preferred stocks. Investments valued using Level 2 inputs also include certain ETFs that track U.S. stock indices such as the S&P 500 but are traded on foreign exchanges. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Sirius Group determines when transfers between levels have occurred as of the beginning of the period.

Valuation techniques

Sirius Group uses outside pricing services to assist in determining fair values for its investments. For investments in active markets, Sirius Group uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services Sirius Group uses have indicated that they will only provide prices where observable inputs are available. In circumstances where quoted market prices are unavailable or are not considered reasonable, Sirius Group estimates the fair value using industry standard pricing models and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, prepayment speeds, reference data including research publications, and other relevant inputs. Given that many fixed maturity investments do not trade on a daily basis, the outside pricing services evaluate a wide range of fixed maturity investments by regularly drawing parallels from recent trades and quotes of comparable securities with similar features. The characteristics used to identify comparable fixed maturity investments vary by asset type and take into account market convention.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

The valuation process above is generally applicable to all of Sirius Group's fixed maturity investments. The techniques and inputs specific to asset classes within Sirius Group's fixed maturity investments for Level 2 securities that use observable inputs are as follows:

U.S. government and government agency

U.S. government and government agency securities consist primarily of debt securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Fixed maturity investments included in U.S. government and government agency securities are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

Non-U.S. government and government agency

Non-U.S. government and government agency securities consist of debt securities issued by non-U.S. governments and their agencies along with supranational organizations (also known as sovereign debt securities). Securities held in these sectors are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap, and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate debt securities

Corporate debt securities consist primarily of investment-grade debt of a wide variety of U.S. and non-U.S. corporate issuers and industries. The corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk.

Mortgage-backed and asset-backed securities

The fair value of mortgage and asset-backed securities is primarily priced by pricing services using a pricing model that uses information from market sources and leveraging similar securities. Key inputs include benchmark yields, reported trades, underlying tranche cash flow data, collateral performance, plus new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including issuer, vintage, loan type, collateral attributes,

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

prepayment speeds, default rates, recovery rates, cash flow stress testing, credit quality ratings, and market research publications.

U.S. states, municipalities and political subdivisions

The U.S. states, municipalities and political subdivisions portfolio contains debt securities issued by U.S. domiciled state and municipal entities. These securities are generally priced by independent pricing services using the techniques described for U.S. government and government agency securities described above.

Preferred stocks

The fair value of preferred stocks is generally priced by independent pricing services using an evaluated pricing model that calculates the appropriate spread over a comparable security for each issue. Key inputs include exchange prices (underlying and common stock of same issuer), benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features, and market research publications.

Level 3 Investments

Level 3 valuations are generated from techniques that use assumptions not observable in the market. These unobservable assumptions reflect Sirius Group's assumptions, that market participants would use in valuing the investment. Generally, certain securities may start out as Level 3 when they are originally issued but as observable inputs become available in the market, they may be reclassified to Level 2.

Sirius Group employs a number of procedures to assess the reasonableness of the fair value measurements for its other long-term investments, including obtaining and reviewing the audited annual financial statements of hedge funds and private equity funds and periodically discussing each fund's pricing with the fund manager. However, since the fund managers do not provide sufficient information to evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable.

The fair values of Sirius Group's investments in private equity securities and private debt instruments have been classified as Level 3 measurements. They are carried at fair value and are initially valued based on transaction price and their valuation is subsequently estimated based on available evidence such as a market transaction in similar instruments and other financial information for the issuer.

Investments measured using Net Asset Value

The fair value of Sirius Group's investments in hedge funds and private equity funds has been determined using net asset value. The hedge fund's administrator provides quarterly updates of fair value in the form of Sirius Group's proportional interest in the underlying fund's net asset value (collectively "NAV"), which is deemed to approximate fair value, generally with a three month delay in valuation. The fair value of investment in hedge funds is measured using the NAV practical expedient

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

and therefore has been not categorized within the fair value hierarchy. The private equity funds provide quarterly or semi-annual partnership capital statements with a three or six month delay which are used as a basis for valuation. These private equity investments vary in investment strategies and are not actively traded in any open markets. The fair value of these investments are measured using NAV practical expedient and therefore have not been categorized with the fair value hierarchy. Due to a lag in reporting, some of the fund managers, fund administrators, or both, are unable to provide final fund valuations as of the Company's reporting date. In these circumstances, Sirius Group estimates the return of the current period and uses all credible information available. This includes utilizing preliminary estimates reported by its fund managers and using other information that is available to Sirius Group with respect to the underlying investments, as necessary.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

Fair Value Measurements by Level

The following tables summarize Sirius Group's financial assets and liabilities measured at fair value as of March 31, 2018 and December 31, 2017 by level:

	March 31, 2018			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
		(Millions)		
Assets measured at fair value				
Fixed maturity investments:				
U.S. Government and government agency	$ 83.3	$ 81.7	$ 1.6	$ —
Corporate debt securities	894.5	—	894.5	—
Residential mortgage-backed securities	458.5	—	458.5	—
Asset-backed securities	309.4	—	309.4	—
Commercial mortgage-backed securities	207.7	—	207.7	—
Non-U.S. government and government agency	93.8	93.8	—	—
Preferred stocks	10.4	—	1.8	8.6
U.S. States, municipalities, and political subdivision	1.4	—	1.4	—
Total fixed maturity investments	**2,059.0**	**175.5**	**1,874.9**	**8.6**
Short-term investments	801.0	776.7	24.3	—
Equity securities	369.7	369.7	—	—
Other long-term investments(1)	64.9	—	—	64.9
Total investments	**$ 3,294.6**	**$ 1,321.9**	**$ 1,899.2**	**$ 73.5**
Derivative instruments	5.8	—	—	5.8
Total assets measured at fair value	**$ 3,300.4**	**$ 1,321.9**	**$ 1,899.2**	**$ 79.3**
Liabilities measured at fair value				
Contingent consideration liabilities	$ 42.8	$ —	$ —	$ 42.8
Derivative instruments	11.9	—	—	11.9
Total liabilities measured at fair value	**$ 54.7**	**$ —**	**$ —**	**$ 54.7**

(1) Excludes fair value of $221.9 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

	December 31, 2017			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
	(Millions)			
Assets measured at fair value				
Fixed maturity investments:				
U.S. Government and government agency	$ 84.8	$ 83.2	$ 1.6	$ —
Corporate debt securities	1,014.5	—	1,014.5	—
Residential mortgage-backed securities	252.1	—	252.1	—
Asset-backed securities	475.4	—	475.4	—
Commercial mortgage-backed securities	232.4	—	232.4	—
Non-U.S. government and government agency	107.2	94.8	12.4	—
Preferred stocks	9.8	—	1.8	8.0
U.S. States, municipalities, and political subdivision	3.8	—	3.8	—
Total fixed maturity investments	**2,180.0**	**178.0**	**1,994.0**	**8.0**
Short-term investments	625.0	566.2	58.8	—
Equity securities	299.2	298.6	0.6	—
Other long-term investments(1)	64.2	—	—	64.2
Total investments	**$ 3,168.4**	**$ 1,042.8**	**$ 2,053.4**	**$ 72.2**
Derivative instruments	4.5	—	—	4.5
Total assets measured at fair value	**$ 3,172.9**	**$ 1,042.8**	**$ 2,053.4**	**$ 76.7**
Liabilities measured at fair value				
Contingent consideration liabilities	$ 42.8	$ —	$ —	$ 42.8
Derivative instruments	10.6	—	—	10.6
Total liabilities measured at fair value	**$ 53.4**	**$ —**	**$ —**	**$ 53.4**

(1) Excludes fair value of $205.3 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

Rollforward of Level 3 Fair Value Measurements

The following tables present changes in Level 3 for financial instruments measured at fair value for the three months ended March 31, 2018 and March 31, 2017:

	March 31, 2018			
	Fixed Maturities	Other long-term investments(1)	Derivative instruments assets &(liabilities)	Contingent consideration (liabilities)
	(Millions)			
Balance at January 1, 2018	$ 8.0	$ 64.2	$ (6.1)	$ (42.8)
Total realized and unrealized gains	—	0.8	—	—
Foreign currency losses through Other Comprehensive Income	—	(0.3)	—	—
Purchases	0.6	0.4	—	—
Sales/Settlements	—	(0.2)	—	—
Balance at March 31, 2018	**$ 8.6**	**$ 64.9**	**$ (6.1)**	**$ (42.8)**

(1) Excludes fair value of $221.9 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

	March 31, 2017			
	Fixed Maturities	Other long-term investments(1)	Derivative instruments assets &(liabilities)	Contingent consideration (liabilities)
	(Millions)			
Balance at January 1, 2017	$ 27.7	$ 29.1	$ 12.7	$ —
Total realized and unrealized gains	(0.3)	0.8	(4.2)	—
Foreign currency losses through Other Comprehensive Income	—	0.2	—	—
Purchases	—	—	—	—
Sales/Settlements	—	(0.2)	(7.9)	—
Balance at March 31, 2017	**$ 27.4**	**$ 29.9**	**$ 0.6**	**$ —**

(1) Excludes fair value of $114.3 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

Fair Value Measurements—transfers between levels

There were no transfers between Level 3 and Level 2 measurements during the three months ended March 31, 2018 and 2017.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

Significant Unobservable Inputs

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments as of March 31, 2018 and December 31, 2017, and includes only those instruments for which information about the inputs is reasonably available to Sirius Group, such as data from independent third-party valuation service providers and from internal valuation models.

	March 31, 2018					
Description	Valuation Technique(s)		Fair Value	Unobservable Input		
			(Millions)			
Private equity securities(1)	Share price of recent transaction	$	25.0	Purchase share price	$	31.25
Private equity securities(1)	Multiple of GAAP book value	$	17.7	Book value multiple		1.0X
Private debt instrument(1)	Purchase price of recent transaction	$	9.0	Purchase price	$	9.0
Private debt instrument(1)	Purchase price of recent transaction	$	9.4	Purchase price	$	9.4
Preferred stock(1)	Purchase price of recent transaction	$	6.5	Average share price	$	0.6
Weather derivatives(2)	External pricing model	$	5.3	Broker quote	$	5.3
Private debt instrument(1)	Internal valuation model	$	2.2	Purchase price less pay down	$	2.2
Preferred stock(1)	Share price of recent transaction	$	2.1	Average share price	$	11.79
Private debt instrument(1)	Purchase price of recent transaction	$	1.5	Purchase price	$	1.5
Interest rate cap(2)	External pricing model	$	0.5	Broker quote	$	0.5
Currency swaps(2)	External pricing model	$	(11.9)	Broker quote	$	(11.9)
Contingent consideration	External valuation model	$	(42.8)	Discounted future payments	$	(42.8)

(1) As of March 31, 2018, each asset type consists of one security.

(2) See **Note 11** for discussion of derivative instruments.

	December 31, 2017					
Description	Valuation Technique(s)		Fair Value	Unobservable Input		
			(Millions)			
Private equity securities(1)	Share price of recent transaction	$	25.0	Purchase share price	$	31.25
Private equity securities(1)	Multiple of GAAP book value	$	17.2	Book value multiple		1.0X
Private debt instrument(1)	Purchase price of recent transaction	$	9.0	Purchase price	$	9.0
Private debt instrument(1)	Purchase price of recent transaction	$	9.0	Purchase price	$	9.0
Preferred stock(1)	Purchase price of recent transaction	$	6.0	Average share price	$	0.6
Weather derivatives(2)	External pricing model	$	4.2	Broker quote	$	4.2
Private debt instrument(1)	Internal valuation model	$	2.5	Purchase price less pay down	$	2.5
Preferred stock(1)	Share price of recent transaction	$	2.0	Average share price	$	11.79
Private debt instrument(1)	Purchase price of recent transaction	$	1.5	Purchase price	$	1.5
Interest rate cap(2)	External pricing model	$	0.3	Broker quote	$	0.3
Currency swaps(2)	External pricing model	$	(10.6)	Broker quote	$	(10.6)
Contingent consideration	External valuation model	$	(42.8)	Discounted future payments	$	(42.8)

(1) As of December 31, 2017, each asset type consists of one security.

(2) See **Note 11** for discussion of derivative instruments.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

Financial instruments disclosed, but not carried at fair value

Sirius Group uses various financial instruments in the normal course of its business. The carrying values of Cash, Accrued investment income, certain other assets, Accounts payable on unsettled investment purchases, certain other liabilities, and other financial instruments not included in the table below approximated their fair values at March 31, 2018 and December 31, 2017, due to their respective short maturities. As these financial instruments are not actively traded, their respective fair values are classified within Level 3. The following table includes financial instruments for which the carrying value differs from the estimated fair values at March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Fair Value(1)	Carrying Value	Fair Value(1)	Carrying Value
	(Millions)			
Liabilities, Mezzanine equity, and Non-controlling interest:				
2017 SEK Subordinated Notes	$ 336.7	$ 324.9	$ 341.4	$ 330.7
2016 SIG Senior Notes	$ 387.7	$ 392.7	$ 392.3	$ 392.5
Series A Redeemable preference shares	$ 90.0	$ 108.8	$ 90.0	$ 106.1

(1) Fair value estimated by internal pricing and considered a Level 3 measurement.

Fair Value Measurements on a Non-Recurring Basis

Sirius Group measures the fair value of certain assets on a non-recurring basis, generally quarterly, annually, or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These include goodwill, indefinite-lived intangible assets, and long-lived assets. Sirius Group uses a variety of techniques to measure the fair value of these assets when appropriate, as described below:

Goodwill and Indefinite-Lived Intangible Assets: The preliminary fair value of the goodwill and indefinite-lived intangible asset acquired as part of the acquisitions of both IMG and Armada (see **Note 3**) was determined using the income valuation and market valuation methodologies. The income approach determines value for an asset based on the present value of cash flows projected to be generated over the remaining economic life of the asset being measured. The net cash flows are discounted to present value using a discount rate that reflects the relative risk of achieving the cash flow and the time value of money. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Determining the fair value goodwill and indefinite-lived intangible assets acquired requires the exercise of significant judgment, including the amount and timing of expected future cash flows, long-term growth rates and discount rates. The cash flows employed in the valuation are based on Sirius Group's best estimates of future sales, earnings and cash flows after considering factors such as general market conditions, changes in working capital, long term business plans, and recent operating performance. Use of different estimates and judgments could yield different results.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 8. Fair value measurements (Continued)

Sirius Group tests goodwill and indefinite-lived intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When Sirius Group determines goodwill and indefinite-lived intangible assets may be impaired, Sirius Group uses techniques including discounted expected future cash flows, to measure fair value.

Long-Lived Assets: Sirius Group tests its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of a long-lived asset may not be recoverable.

Note 9. Debt and standby letters of credit facilities

Sirius Group's debt outstanding as of March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	Effective Rate(1)	December 31, 2017	Effective Rate(1)
		(Millions)		
2017 SEK Subordinated Notes, at face value	$ 329.3	3.5%	$ 335.2	3.5%
Unamortized issuance costs	(4.4)		(4.5)	
2017 SEK Subordinated Notes, carrying value	324.9		330.7	
2016 SIG Senior Notes, at face value	400.0	4.7%	400.0	4.7%
Unamortized discount	(2.8)		(2.9)	
Unamortized issuance costs	(4.5)		(4.6)	
2016 SIG Senior Notes, carrying value	392.7		392.5	
Total debt	$ 717.6		$ 723.2	

(1) Effective rate considers the effect of the debt issuance costs.

2017 SEK Subordinated Notes

On September 22, 2017, Sirius Group issued floating rate callable subordinated notes denominated in Swedish kronor ("SEK") in the amount of SEK 2,750.0 million (or $346.1 million on date of issuance) at a 100% issue price ("2017 SEK Subordinated Notes"). The 2017 SEK Subordinated Notes were issued in an offering that was exempt from the registration requirements of the Securities Act of 1933. The 2017 SEK Subordinated Notes bear interest on their principal amount at a floating rate equal to the applicable Stockholm Interbank Offered Rate ("STIBOR") for the relevant interest period plus an applicable margin, payable quarterly in arrears on March 22, June 22, September 22, and December 22 in each year commencing on December 22, 2017, until maturity in September 2047.

Sirius Group incurred $4.6 million in expenses related to the issuance of the 2017 SEK Subordinated Notes (including SEK 27.5 million, or $3.5 million, in underwriting fees), which have been deferred and are being recognized into interest expense over the life of the 2017 SEK Subordinated Notes. For the three months ended March 31, 2018, Sirius Group recognized $5.8 million of foreign currency exchange gains on the remeasurement of the 2017 SEK Subordinated Notes into USD from SEK.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 9. Debt and standby letters of credit facilities (Continued)

A portion of the proceeds were used to fully redeem the outstanding $250.0 million Sirius International Group, Ltd. Preference Shares ("SIG Preference Shares"). (See **Note 12**).

Taking into effect the amortization of all underwriting and issuance expenses, and applicable STIBOR, the 2017 SEK Subordinated Notes yield an effective rate of approximately 3.5% per annum. Sirius Group recorded $2.9 million of interest expense, inclusive of amortization of issuance costs on the 2017 SEK Subordinated Notes for the three months ended March 31, 2018.

2016 SIG Senior Notes

On November 1, 2016, Sirius Group issued $400.0 million face value of senior unsecured notes ("2016 SIG Senior Notes") at an issue price of 99.209% for net proceeds of $392.4 million after taking into effect both deferrable and non-deferrable issuance costs. The SIG Senior Notes were issued in an offering that was exempt from the registration requirements of the Securities Act of 1933. The 2016 SIG Senior Notes bear an annual interest rate of 4.6%, payable semi-annually in arrears on May 1, and November 1, in each year commencing on May 1, 2017, until maturity in November 2026.

Sirius Group incurred $5.1 million in expenses related to the issuance of the 2016 SIG Senior Notes (including $3.4 million in underwriting fees), which have been deferred and are being recognized into interest expense over the life of the 2016 SIG Senior Notes.

Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the 2016 SIG Senior Notes yield an effective rate of approximately 4.7% per annum. Sirius Group recorded $4.8 million of interest expense, inclusive of amortization of issuance costs on the 2016 SIG Senior Notes for the three months ended March 31, 2018 and 2017, respectively.

Standby Letter of Credit Facilities

On November 8, 2017, Sirius International Insurance Corporation ("Sirius International") entered into four standby letter of credit facility agreements totaling $215 million to provide capital support for Lloyd's Syndicate 1945. The first letter of credit is a renewal of a $125 million facility with Nordea Bank Finland plc, $100 million of which is issued on an unsecured basis. The second letter of credit is a $25 million secured facility with Lloyds Bank plc. Lloyds Bank plc had previously participated on this program but at a different capacity. The third letter of credit agreement is a $30 million unsecured facility with Barclays Bank plc. The fourth letter of credit agreement is a $35 million facility with DNB Bank ASA London Branch, $25 million of which is issued on an unsecured basis. Each facility is renewable annually. The above referenced facilities are subject to various affirmative, negative and financial covenants that the Company considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards.

Sirius International has other secured letter of credit and trust arrangements with various financial institutions to support its insurance operations. As of March 31, 2018 and December 31, 2017, these secured letter of credit and trust arrangements were collateralized by pledged assets and assets in trust of SEK 2.2 billion and SEK 2.1 billion, or $263.2 million and $261.2 million (based on the March 31, 2018 and December 31, 2017 SEK to USD exchange rates). As of March 31, 2018 and December 31, 2017, Sirius America Insurance Company's ("Sirius America") trust arrangements were collateralized by pledged assets and assets in trust of $56.5 million and $55.8 million, respectively. As of March 31, 2018

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 9. Debt and standby letters of credit facilities (Continued)

and December 31, 2017, Sirius Bermuda Insurance Company's trust arrangements were collateralized by pledged assets and assets in trust of $249.5 million and $123.3 million, respectively.

Debt and Standby Letter of Credit Facility Covenants

As of March 31, 2018, Sirius Group was in compliance with all of the covenants under the 2016 SIG Senior Notes, 2017 SEK Subordinated Notes, the Nordea facility, the Lloyd's Bank facility, Barclays Bank facility, and the DNB Bank ASA London Branch facility.

Interest

Total interest expense incurred by Sirius Group for its indebtedness for the three months ended March 31, 2018 and 2017 was $7.7 million and $4.8 million, respectively. Total interest paid by Sirius Group for its indebtedness for the three months ended March 31, 2018 was $2.9 million. Sirius Group did not pay any interest for its indebtedness during the three months ended March 31, 2017.

Note 10. Income taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. In the event there is a change in the current law such that taxes are imposed, the Company and its Bermuda domiciled subsidiaries would be exempt from such tax until March 31, 2035, pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. The jurisdictions in which the Company's subsidiaries and branches are subject to tax are Australia, Belgium, Canada, Germany, Gibraltar, Luxembourg, Malaysia, the Netherlands, Singapore, Sweden, Switzerland, the United Kingdom and the United States.

Sirius Group reported an income tax expense of $11.1 million during the first three months of 2018 on pre-tax income of $54.4 million. Sirius Group reported an income tax benefit of $1.1 million during the first three months of 2017 on pre-tax income of $6.0 million. Sirius Group's effective tax rate for the first three months of 2018 and 2017 was 20.3% and (18.0)%, respectively. These effective tax rates were lower than the Swedish statutory rate of 22% (the rate at which the majority of Sirius Group's worldwide operations are taxed) primarily because of income recognized in jurisdictions with lower tax rates than Sweden and non-recurring adjustments to Sirius Group's deferred tax assets which resulted from various internal restructurings. In arriving at the effective tax rate for the three months ended March 31, 2018 and 2017, Sirius Group forecasted all income and expense items including the change in unrealized investment gains (losses) and realized investment gains (losses) for the years ending December 31, 2018 and 2017.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 10. Income taxes (Continued)

The Tax Cuts and Jobs Act (the "TCJA") was enacted into law in the U.S. in December 2017. Among other provisions, the TCJA includes a new 21% corporate tax rate, the impacts of which (including on Sirius Group's deferred tax assets) were already taken into account in Sirius Group's financial results for the year ended December 31, 2017. The TCJA also includes a new base erosion and anti-abuse tax ("BEAT"), which is essentially a minimum tax that is potentially applicable to certain otherwise deductible payments made by U.S. entities to non-U.S. affiliates, including cross-border interest payments and reinsurance premiums. The statutory BEAT rate is 5% in 2018 and will rise to 10% in 2019-2025 and then 12.5% in 2026 and after. The TCJA also includes provisions for Global Intangible Low-Taxed Income ("GILTI") under which taxes on foreign income are imposed on the excess of a deemed return on tangible assets of certain foreign subsidiaries. Consistent with accounting guidance, Sirius Group will treat BEAT as an in period tax charge when incurred in future periods for which no deferred taxes need to be provided and has made an accounting policy election to treat GILTI taxes in a similar manner. No provision for income taxes related to BEAT or GILTI was recorded as of December 31, 2017 or March 31, 2018.

Additionally, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the TCJA. SAB 118 addresses situations where accounting for certain income tax effects of the TCJA under ASC 740, *Income Taxes* ("ASC 740"), may be incomplete upon issuance of an entity's financial statements and provides a one-year measurement period from the enactment date to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the following: (1) income tax effects of those aspects of the TCJA for which accounting under ASC 740 is complete, (2) provisional estimate of income tax effects of the TCJA to the extent accounting is incomplete but a reasonable estimate is determinable, and (3) if a provisional estimate cannot be determined, ASC 740 should still be applied on the basis of tax law provisions that were in effect immediately before the enactment of the TCJA. Sirius Group's provision for income taxes for the year ended December 31, 2017 is based on the application of SAB 118 taking into account existing deferred tax balances and certain provisions of the TCJA. The income tax effects of the TCJA for which accounting is complete (category (1) above) are set forth in the paragraph above. To the extent Sirius Group's accounting was incomplete and a reasonable estimate of the impact of certain provisions was determinable (category (2) above), the provisional estimates prescribed by SAB 118 were insignificant. To the extent a reasonable estimate of the impact of certain provisions was not determinable (category (3) above), Sirius Group has not recorded any adjustments and has continued accounting for them in accordance with ASC 740 on the basis of the tax laws in effect before enactment of the TCJA. These items include Sirius Group's tax accounting for loss reserves based on a new discounting methodology prescribed by the TCJA.

Sirius Group has capital and liquidity in many of its subsidiaries, some of which may reflect undistributed earnings. If such capital or liquidity were to be paid or distributed to the Company or Sirius Group's subsidiaries, as dividends or otherwise, they may be subject to income or withholding taxes. Sirius Group generally intends to operate, and manage its capital and liquidity, in a tax-efficient manner. However, the applicable tax laws in relevant countries are still evolving, including in response to guidance from the Organisation for Economic Cooperation and Development. Accordingly, such payments or earnings may be subject to income or withholding tax in jurisdictions where they are not currently taxed or at higher rates of tax than currently taxed, and the applicable tax authorities could attempt to apply income or withholding tax to past earnings or payments.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 10. Income taxes (Continued)

Deferred Tax Asset, net of Valuation Allowance

Sirius Group's net deferred tax liability, net of the valuation allowance as of March 31, 2018 is $35.5 million. Of the $35.5 million, $19.8 million relates to net deferred tax assets in U.S. subsidiaries, $183.2 million relates to net deferred tax assets in Luxembourg subsidiaries, $12.9 million relates to net deferred tax assets in United Kingdom subsidiaries, $251.6 million relates to net deferred tax liabilities in Sweden subsidiaries, and $0.2 million relates to other net deferred tax assets.

Sirius Group records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in income tax expense in the period of change. In determining whether or not a valuation allowance, or change therein, is warranted, Sirius Group considers factors such as prior earnings history, expected future earnings, carryback and carryforward periods and strategies that if executed would result in the realization of a deferred tax asset. It is possible that certain planning strategies or projected earnings in certain subsidiaries may not be feasible to utilize the entire deferred tax asset, which could result in material changes to Sirius Group's deferred tax assets and tax expense.

Uncertain Tax Positions

Recognition of the benefit of a given tax position is based upon whether a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. In evaluating the more likely than not recognition threshold, Sirius Group must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement.

As of March 31, 2018, the total reserve for unrecognized tax benefits is $27.3 million. If Sirius Group determines in the future that its reserves for unrecognized tax benefits on permanent differences and interest and penalties are not needed, the reversal of $27.1 million of such reserves as of March 31, 2018 would be recorded as an income tax benefit and would impact the effective tax rate. If Sirius Group determines in the future that its reserves for unrecognized tax benefits on temporary differences are not needed, the reversal of $0.2 million of such reserves as of March 31, 2018 would not impact the effective tax rate due to deferred tax accounting but would accelerate the payment of cash to the taxing authority. The vast majority of Sirius Group's reserves for unrecognized tax benefits on temporary differences relate to deductions for loss reserves where the timing of the deductions is uncertain.

The Swedish Tax Authority ("STA") has denied deductions claimed by two of the Company's Swedish subsidiaries in certain tax years for interest paid on intra-group debt instruments. Sirius Group is currently challenging the STA's denial in court based on the technical merits. Sirius Group's reserve for uncertain tax positions has taken into account relevant developments in these tax disputes and in applicable Swedish tax law including recent case law. Sirius Group has also taken into account the Stock Purchase Agreement by which Sirius Group was sold to CMIG International Holding Pte. Ltd ("CMIG International") in 2016. Pursuant to the SPA, the seller agreed to indemnify the buyer and

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 10. Income taxes (Continued)

Sirius Group for, among other things, (1) any additional tax liability in excess of Sirius Group's accounting for uncertain tax positions for tax periods prior to the sale of Sirius Group to CMIG International, and (2) an impairment in Sirius Group's net deferred tax assets resulting from a final determination by a tax authority.

With few exceptions, Sirius Group is no longer subject to U.S. federal, state or non-U.S. income tax examinations by tax authorities for years before 2013.

Note 11. Derivatives

Interest Rate Cap

Sirius Group entered into an interest rate swap ("Interest Rate Cap") with two financial institutions where it paid an upfront premium and in return receives a series of quarterly payments based on the 3-month London Interbank Offered Rate ("LIBOR") at the time of payment. The Interest Rate Cap does not qualify for hedge accounting. Changes in fair value are recognized as unrealized gains or losses and are presented within Other revenue. The fair value of the interest rate cap has been estimated using a single broker quote and, accordingly, has been classified as a Level 3 measurement as of March 31, 2018 and December 31, 2017. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. Sirius Group's liability to return that collateral is based on the amounts provided by the counterparties and investment earnings thereon. The following table summarizes the Interest Rate Cap collateral balances held by Sirius Group and ratings by counterparty:

	March 31, 2018	
	Collateral Balances Held	S & P Rating(1)
	(Millions)	
Barclays Bank Plc	$ 0.2	A–
Nordea Bank Finland Plc	0.1	AA–
Total	**$ 0.3**	

(1) Standard & Poor's ratings as detailed above are: "AA–" (Very Strong, which is the fourth highest of twenty-three creditworthiness ratings) and "A–" (Strong, which is the seventh highest of twenty-three credit worthiness ratings).

Foreign Currency Swaps

Sirius Group executes foreign currency swaps to manage foreign currency exposure. The foreign currency swaps have not been designated or accounted for under hedge accounting. Changes in fair value are recognized as unrealized gains or losses and are presented within Net foreign exchange gains (losses). The fair value of the foreign currency swaps has been estimated using a single broker quote and, accordingly, has been classified as a Level 3 measurement as of March 31, 2018 and December 31, 2017. Sirius Group does not provide or hold any collateral associated with the swaps.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 11. Derivatives (Continued)

Foreign Currency Forward

During 2016, Sirius Group executed a foreign currency forward to manage currency exposure against a foreign currency investment. During 2017, the foreign currency forward expired and was not renewed. The foreign currency forward was not designated or accounted for under hedge accounting. Changes in fair value are recognized as unrealized gains or losses and are presented within Net foreign exchange gains (losses). The fair value of the foreign currency forward was estimated using a single broker quote and accordingly, was classified as a Level 3 measurement. Sirius Group did not provide or hold any collateral associated with the forwards.

Weather Derivatives

Sirius Group holds assets and assumes liabilities related to weather and weather contingent risk management products. Weather and weather contingent derivative contracts are entered into with the objective of generating profits in normal climatic conditions. Accordingly, Sirius Group's weather and weather contingent derivatives are not designed to meet the criteria for hedge accounting under GAAP. Sirius Group receives payment of premium at the contract inception in exchange for bearing the risk of variations in a quantifiable weather index. Changes in fair value are recognized as unrealized gains or losses and are presented within Other revenue. Management uses available market data and internal pricing models based upon consistent statistical methodologies to estimate the fair value. Because of the significance of the unobservable inputs used to estimate the fair value of Sirius Group's weather risk contracts, the fair value measurements of the contracts are deemed to be Level 3 measurements in the fair value hierarchy as of March 31, 2018 and December 31, 2017. Sirius Group does not provide or hold any collateral associated with the weather derivatives.

The following tables summarize information on the classification and amount of the fair value of derivatives not designated as hedging instruments within the Company's Consolidated Balance Sheets as at March 31, 2018 and December 31, 2017:

	March 31, 2018			December 31, 2017		
Derivatives not designated as hedging instruments	Notional Value	Asset derivative at fair value(1)	Liability derivative at fair value(2)	Notional Value	Asset derivative at fair value(1)	Liability derivative at fair value(2)
	(Millions)					
Interest rate cap	$ 250.0	$ 0.5	$ —	$ 250.0	$ 0.2	$ —
Foreign currency swaps	$ 45.0	$ —	$ 11.9	$ 45.0	$ —	$ 10.6
Weather derivatives	$ 121.8	$ 5.3	$ —	$ 113.3	$ 4.2	$ —

(1) Asset derivatives are classified within Other assets within the Company's Consolidated Balance Sheets at March 31, 2018 and December 31, 2017.

(2) Liability derivatives are classified within Other liabilities within the Company's Consolidated Balance Sheets at March 31, 2018 and December 31, 2017.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 11. Derivatives (Continued)

The following table summarizes information on the classification and net impact on earnings, recognized in the Company's Consolidated Statements of Income relating to derivatives during the three months ended March 31, 2018 and 2017:

Derivatives not designated as hedging instruments	Classification of gains (losses) recognized in earnings	For the three months ended March 31, 2018	For the three months ended March 31, 2017
	(Millions)		
Interest rate cap	Other revenues	$ 0.3	$ (0.7)
Foreign currency swaps	Net foreign exchange gains (losses)	$ 1.3	$ (2.9)
Foreign currency forwards(1)	Net foreign exchange gains (losses)	$ —	$ (0.3)
Weather derivatives	Other revenues	$ 1.0	$ (0.3)

(1) There were no Foreign currency forwards at March 31, 2018 or at December 31, 2017 on the Consolidated Balance Sheets.

Note 12. Common shareholder's equity, mezzanine equity, and non-controlling interests

Common shareholder

The Company is a Bermuda exempted company and is an indirect wholly-owned subsidiary of CMIG International, a Singapore holding company, through CM Bermuda Ltd., a Bermuda exempted company. The Company was acquired from White Mountains Insurance Company ("White Mountains" or "former parent").

At March 31, 2018 and December 31, 2017, the Company had 120,000,000 common shares issued and outstanding with a par value of $0.01 per share. From December 12, 2016 and ending on May 22, 2017, the Company was authorized to issue up to 600,000,000 common shares. On May 22, 2017, the Company divided its authorized share capital into two classes: (i) 500,000,000 common shares, with a par value of $0.01 per share and (ii) 100,000,000 preference shares, with a par value of $0.01 per share.

Additional paid-in surplus

During the three months ended March 31, 2018 and 2017, White Mountains made contributions totaling $1.4 million and $7.9 million, respectively, to Sirius Group which was reflected as Additional paid-in surplus. The following table summarizes the contributions made to Sirius Group:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Millions)	
Reimbursement for performance shares	$ 1.4	$ 2.5
Reimbursement for retention bonuses	—	5.4
Total Additional paid-in surplus	**$ 1.4**	**$ 7.9**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 12. Common shareholder's equity, mezzanine equity, and non-controlling interests (Continued)

Dividends

The Company did not pay any dividends during the three months ended March 31, 2018 and 2017.

Mezzanine equity

In connection with the acquisition of IMG, the Company issued mandatorily convertible stock in the form of Series A redeemable preference shares as a portion of the consideration paid. (See **Note 3**.) The Company issued 100,000 of the 150,000 authorized Series A redeemable preference shares to the seller of IMG. Each Series A redeemable preference share has a liquidation preference per share of $1,000. In addition to the initial issuance, the Company will issue the seller up to an additional 50,000 shares if IMG meets certain mutually agreed upon growth targets. The Series A redeemable preference shares accrue dividends at a per annum rate equal to 10%.

The Series A redeemable preference shares rank senior to common shares with respect to dividend rights, rights of liquidation, winding-up, or dissolution of the Company and junior to all of the Company's existing and future policyholder obligations and debt obligations. Any class or series of shares of the Company issued in the future must rank junior to the Series A redeemable preference shares, as to the payment of dividends or as to distribution of assets upon any voluntary or involuntary return of assets on liquidation, winding-up, or dissolution of the Company for as long as they are issued and outstanding.

At March 31, 2018, the balance of the Series A redeemable preference shares with accrued dividends was $108.8 million.

Non-controlling interests

Non-controlling interests consist of the ownership interests of non-controlling shareholders in consolidated entities and are presented separately on the balance sheet. At March 31, 2018 and December 31, 2017 Sirius Group's balance sheet included $0.5 million and $0.2 million, respectively, in non-controlling interests.

The following tables show the change in non-controlling interest for the three months ended March 31, 2018 and 2017:

	Total (Millions)
Non-controlling interests as of December 31, 2017	**$ 0.2**
Net income attributable to non-controlling interests	0.2
Other, net	0.1
Non-controlling interests as of March 31, 2018	**$ 0.5**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 12. Common shareholder's equity, mezzanine equity, and non-controlling interests (Continued)

	Total (Millions)
Non-controlling interests as of December 31, 2016	**$ 251.3**
Net income attributable to non-controlling interests	(0.6)
Other, net	—
Non-controlling interests as of March 31, 2017	**$ 250.7**

SIG Preference Shares

On October 25, 2017, the Company's indirect wholly-owned subsidiary, Sirius International Group, Ltd., redeemed all of its outstanding 250,000 Fixed/Floating Perpetual Non-Cumulative Preference Shares ("SIG Preference Shares"). The redemption price equaled the $1,000 liquidation preference per preference share. Sirius Group accounted for the SIG Preference Shares as a conditionally redeemable instrument within Non-controlling interests.

Alstead Re

As of March 31, 2018 and December 31, 2017, Sirius Group recorded non-controlling interest of $0.5 million and $0.2 million, respectively, in Alstead Re Insurance Company ("Alstead Re"). (See **Note 16**.)

Note 13. Earnings per share

Basic earnings (loss) per share is computed by dividing net income (loss) available to Sirius Group common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income available to Sirius Group common shareholders by the weighted-average number of common shares outstanding adjusted to give effect to potentially dilutive securities.

The Series A redeemable preference shares qualify as participating securities which requires the application of the two-class method to compute both basic and diluted earnings per share. The two-class method is an earnings allocation formula that treats participating securities as having rights to earnings that would otherwise have been available to common shareholders. The Series A redeemable preference shares have no obligation to absorb losses of the Company in periods of net loss.

For the periods presented, there are no potentially dilutive securities or instruments that would have an effect on the calculation of dilutive earnings per share.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 13. Earnings per share (Continued)

The following table sets forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31,	
	2018	2017
	(Millions, except share and per share information)	
Numerator:		
Net income	$ 43.3	$ 7.1
Less: Income attributable to non-controlling interests	(0.2)	0.6
Less: Accrued dividends on Series A redeemable preference shares	(2.6)	—
Net income available for dividends out of undistributed earnings	$ 40.5	$ 7.7
Less: Earnings attributable to Series A redeemable preference shares	(1.7)	—
Net income available to Sirius Group common shareholders	$ 38.8	$ 7.7
Denominator:		
Weighted average shares outstanding for basic and diluted earnings per share	120,000,000	120,000,000
Earnings per share		
Basic earnings per share	$ 0.32	$ 0.06
Diluted earnings per share	$ 0.32	$ 0.06

Note 14. Accumulated other comprehensive (loss)

The changes in accumulated other comprehensive (loss), by component, for the three months ended March 31, 2018 and 2017 are as follows:

	For the three months ended March 31, 2018	
	Foreign currency translation adjustment(1)	Total
	(Millions)	
Balance, beginning of year	$ (140.5)	$ (140.5)
Other comprehensive income (loss)	(13.4)	(13.4)
Balance as at March 31, 2018	**$ (153.9)**	**$ (153.9)**

(1) Foreign currency translation adjustment consisted of $(16.9) and $3.5 of (losses) gains related to investments and non-investment net liabilities, respectively.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 14. Accumulated other comprehensive (loss) (Continued)

		For the three months ended March 31, 2017		
		Foreign currency translation adjustment(1)		Total
		(Millions)		
Balance, net of tax, beginning of year	$	(212.2)	$	(212.2)
Other comprehensive income (loss), net of tax		13.7		13.7
Balance as at March 31, 2017	**$**	**(198.5)**	**$**	**(198.5)**

(1) Foreign currency translation adjustment consisted of $14.6 and $(0.9) of gains (losses) related to investments and non-investment net liabilities, respectively.

Note 15. Investments in unconsolidated entities

Sirius Group's investments in unconsolidated entities are included within Other long-term investments and consist of investments in common equity securities or similar instruments, which give Sirius Group the ability to exert significant influence over the investee's operating and financial policies ("equity method eligible unconsolidated entities"). Such investments may be accounted for under either the equity method or, alternatively, Sirius Group may elect to account for them under the fair value option.

The following table presents the components of Other long-term investments as of March 31, 2018 and December 31, 2017:

		March 31, 2018		December 31, 2017
		(Millions)		
Equity method eligible unconsolidated entities, at fair value	$	135.1	$	121.2
Other unconsolidated investments, at fair value(1)		151.7		148.3
Total Other long-term investments(2)	**$**	**286.8**	**$**	**269.5**

(1) Includes Other long-term investments that are not equity method eligible.

(2) There were no investments accounted for using the equity method as of March 31, 2018 and December 31, 2017.

Equity method eligible unconsolidated entities, at fair value

Sirius Group has elected the Fair Value Option to account for its equity method eligible investments accounted for as part of Other long-term investments for consistency of presentation with rest of its investment portfolio. The following table presents Sirius Group's investments in equity

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 15. Investments in unconsolidated entities (Continued)

method eligible unconsolidated entities as of March 31, 2018 and December 31, 2017 with ownership interest greater than 20%:

	Ownership interest at		
Investee	March 31, 2018	December 31, 2017	Instrument Held
BE Reinsurance Limited	25.0%	25.0%	Common shares
BioVentures Investors (Offshore) IV LP	73.0%	73.0%	Units
Camden Partners Strategic Fund V (Cayman), LP	37.2%	36.5%	Units
NEC Cypress Buyer LLC	23.5%	23.5%	Units
New Energy Capital Infrastructure Credit Fund LP	23.3%	23.3%	Units
New Energy Capital Infrastructure Offshore Credit Fund LP	56.2%	56.2%	Units
Tuckerman Capital V LP	48.3%	48.3%	Units
Tuckerman Capital V Co-Investment I LP	49.5%	49.5%	Units

Note 16. Variable interest entities

Sirius Group consolidates the results of operations and financial position of every voting interest entity ("VOE") in which it has a controlling financial interest and VIEs in which it is considered to be the primary beneficiary. The consolidation assessment, including the determination as to whether an entity qualifies as a VOE or VIE, depends on the facts and circumstances surrounding each entity.

Sirius Group has determined that Alstead Re is a VIE for which Sirius Group is the primary beneficiary and is required to consolidate it. The following table presents Alstead Re's assets and liabilities, as classified in the Consolidated Balance Sheets as at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
	(Millions)	
Assets:		
Cash	$ 4.6	$ 4.5
Total investments	4.6	4.5
Insurance and reinsurance premiums receivable	9.2	4.1
Funds held by ceding companies	2.6	2.7
Ceded unearned insurance and reinsurance premiums	—	—
Deferred acquisition costs	2.1	1.3
Total assets	**$ 18.5**	**$ 12.6**
Liabilities		
Loss and loss adjustment expense reserves	$ 5.5	$ 3.5
Unearned insurance and reinsurance premiums	7.9	4.3
Other liabilities	—	—
Total liabilities	**$ 13.4**	**$ 7.8**

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 16. Variable interest entities (Continued)

Sirius Group is a passive investor in certain third-party-managed hedge and private equity funds, some of which are VIEs. Sirius Group is not involved in the design or establishment of these VIEs, nor does it actively participate in the management of the VIEs. The exposure to loss from these investments is limited to the carrying value of the investments at the balance sheet date.

Sirius Group calculates maximum exposure to loss to be (i) the amount invested in the debt or equity of the VIE, (ii) the notional amount of VIE assets or liabilities where Sirius Group has also provided credit protection to the VIE with the VIE as the referenced obligation, and (iii) other commitments and guarantees to the VIE. Sirius Group does not have any VIEs that it sponsors nor any VIEs where it has recourse to it or has provided a guarantee to the VIE interest holders.

The following table presents total assets of unconsolidated VIEs in which Sirius Group holds a variable interest, as well as the maximum exposure to loss associated with these VIEs:

		Maximum Exposure to Loss		
	Total VIE Assets	On-Balance Sheet	Off-Balance Sheet	Total
		(Millions)		
March 31, 2018				
Other long-term investments(1)	$ 1,399.9	$ 118.7	$ 47.9	$ 166.6
Total at March 31, 2018	**$ 1,399.9**	**$ 118.7**	**$ 47.9**	**$ 166.6**
December 31, 2017				
Other long-term investments(1)	$ 1,378.1	$ 108.2	$ 57.4	$ 165.6
Total at December 31, 2017	**$ 1,378.1**	**$ 108.2**	**$ 57.4**	**$ 165.6**

(1) Comprised primarily of hedge funds and private equity funds.

Note 17. Transactions with related parties

Certus

On May 26, 2017, as part of the acquisition of IMG, Sirius Group sold IMG—Stop Loss to Certus for $10.0 million. (See **Note 3**.) Certus paid Sirius Group $1.0 million in cash and obtained $9.0 million in financing from Sirius Group in the form of a secured promissory note payable. The promissory note is secured by a pledge of the shares of IMG—Stop Loss by Certus. Sirius Group has determined that Certus and IMG—Stop Loss are VIEs that Sirius Group does not have to consolidate as it does not have the power to direct the activities of either company.

Sirius America and IMG—Stop Loss have continued the Program Management Agreement that was in place prior to the purchase of IMG under amended terms. The amended agreement gives Sirius America rights of first refusal to act as insurance carrier for IMG—Stop Loss but does not give Sirius Group controlling power or impede IMG—Stop Loss from functioning as an independent entity. For the three months ended March 31, 2018, Sirius Group wrote $11.7 million of Certus-managed gross written premium. At March 31, 2018, Sirius Group has total receivables due from Certus of $16.6 million and total payables due to Certus of $1.5 million.

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 17. Transactions with related parties (Continued)

Meyer "Sandy" Frucher

On August 16, 2016, the Company announced that Meyer "Sandy" Frucher was added as an independent director to its board of directors. Mr. Frucher is Vice Chairman of Nasdaq, Inc. On June 25, 2018, the Company announced a definitive agreement and plan of merger ("Merger Agreement") with Easterly Acquisition Corp. ("Easterly") that would result in the Company becoming publicly listed and traded on the Nasdaq stock exchange. (See **Note 19**.)

Note 18. Commitments and contingencies

Legal Proceedings

Sirius Group, and the insurance and reinsurance industry in general, are routinely subject to claims related litigation and arbitration in the normal course of business, as well as litigation and arbitration that do not arise from, or are directly related to, claims activity. Sirius Group estimates of the costs of settling matters routinely encountered in claims activity are reflected in the reserves for unpaid loss and LAE. (See **Note 5.**)

Sirius Group considers the requirements of ASC 450, *Contingencies* ("ASC 450"), when evaluating its exposure to non-claims related litigation and arbitration. ASC 450 requires that accruals be established for litigation and arbitration if it is probable that a loss has been incurred and it can be reasonably estimated. ASC 450 also requires that litigation and arbitration be disclosed if it is probable that a loss has been incurred or it there is a reasonable possibility that a loss may have been incurred.

The following summarizes one, ongoing non-claims related litigation:

Tribune Company

In June 2011, Deutsche Bank Trust Company Americas, Law Debenture Company of New York and Wilmington Trust Company (collectively referred to as "Plaintiffs"), in their capacity as trustees for certain senior notes issued by the Tribune Company ("Tribune"), filed lawsuits in various jurisdictions (the "Noteholder Actions") against numerous defendants including Sirius Group in their capacity as former shareholders of Tribune seeking recovery of the proceeds from the sale of common stock of Tribune in connection with Tribune's leveraged buyout in 2007 (the "LBO"). Tribune filed for bankruptcy in 2008 in the Delaware bankruptcy court (the "Bankruptcy Court"). The Bankruptcy Court granted Plaintiffs permission to commence these LBO-related actions, and in 2011, the Judicial Panel on Multidistrict Litigation granted a motion to consolidate the actions for pretrial matters and transferred all such proceedings to the United States District Court for the Southern District of New York (the "SDNY"). Plaintiffs seek recovery of the proceeds received by the former Tribune shareholders on a theory of constructive fraudulent transfer asserting that Tribune purchased or repurchased its common shares without receiving fair consideration at a time when it was, or as a result of the purchases of shares, was rendered, insolvent. Certain subsidiaries of Sirius Group received approximately $6.1 million for Tribune common stock tendered in connection with the LBO.

The Court granted an omnibus motion to dismiss the Noteholder Actions in September 2013 and Plaintiffs appealed. On March 29, 2016, a three judge panel of the U.S. Second Circuit Court of Appeals affirmed the dismissal of the Noteholder Actions. The Plaintiffs filed a petition for

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 18. Commitments and contingencies (Continued)

reconsideration or a rehearing en banc of the Second Circuit's decision affirming the dismissal of the state law fraudulent conveyance cases. By order dated July 22, 2016, the Second Circuit denied the petition in full. On September 9, 2016, Plaintiffs filed a petition for a writ of certiorari, seeking U.S. Supreme Court review.

In addition, Sirius Group in its capacity as a former shareholder of Tribune, along with thousands of former Tribune shareholders, have been named as defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors of the Tribune Company (the "Committee"), on behalf of the Tribune Company, which seeks to avoid the repurchase of shares by Tribune in the LBO on a theory of intentional fraudulent transfer (the "Committee Action"). Tribune emerged from bankruptcy in 2012, and a litigation trustee replaced the Committee as plaintiff in the Committee Action. This matter was consolidated for pretrial matters with the Noteholder Actions in the SDNY and was stayed pending the motion to dismiss in the Noteholder Actions.

An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014, and was granted on January 6, 2017. The plaintiff moved to amend its fifth amended complaint to add a constructive fraudulent conveyance claim against the shareholder defendants. On August 24, 2017, the SDNY denied the plaintiff's motion without prejudice. However, on March 8, 2018, the plaintiff moved to renew its request to amend the complaint based on the Supreme Court's decision in Merit Mgmt Grp. LP. v. FTI Consulting, Inc., holding that the safe harbor protections of Section 546(e) (which prevent the bankruptcy trustee from unwinding certain transactions) did not apply where a transfer is conducted through a financial institution that is neither the debtor, nor the transferee, but serves only as a conduit. On May 16, 2018 the SDNY recalled its mandate in connection with the dismissal of the constructive fraudulent conveyance claim. Accordingly, the SDNY is expected to reconsider the case.

No amount has been accrued in connection with this matter as of March 31, 2018 and December 31, 2017.

Note 19. Subsequent events

On June 25, 2018, the Company announced it has executed a Merger Agreement for a proposed merger that would result in the Company becoming a publicly listed company. Under the terms of the Merger Agreement, Easterly Acquisition Corp. ("Easterly") would merge with a subsidiary of the Company and become a wholly owned subsidiary (the "Merger"). Upon the closing of the Merger, Easterly's common stock would be exchanged for the Company's common shares at a price of 1.05x Sirius Group's pro forma diluted GAAP book value per share as of June 30, 2018. Following the Merger, the Company's common shares would be traded on the Nasdaq.

Easterly held a special meeting of its stockholders on June 28, 2018 and approved an extension of time to complete the Merger through November 30, 2018. Sirius Group agreed to lend to Easterly $0.03 per month through the extension period for each public share that was not redeemed at Easterly's special meeting. Easterly will deposit such loan proceeds into its trust account upon receipt. The loan will be forgiven if the Merger does not close by November 30, 2018.

The proposed all-stock transaction is expected to yield a combined entity with a pro forma market capitalization of approximately $2.2 billion at closing, with current Easterly stockholders owning

Sirius International Insurance Group, Ltd.

Notes to Consolidated Financial Statements (Continued)

For the Three Months Ended March 31, 2018

Note 19. Subsequent events (Continued)

approximately 7% of the combined company immediately following the Merger. Pursuant to the Merger Agreement, Sirius Group intends to execute a private placement of common shares. Private placement investors are expected to own approximately 9% of the combined company.

The Merger has been approved by the boards of directors of each of Sirius Group and Easterly, and is expected to close in the second half of 2018. Completion of the Merger is subject to the satisfaction of certain conditions including, but not limited to, approval of the transaction by Easterly's stockholders, but is not subject to any insurance regulatory approvals or a minimum cash condition. In connection with the Merger, the Compensation Committee has approved grants of performance share unit awards to certain members of management, including the Named Executive Officers.

Also on June 25, 2018, Sirius Group announced it would allow its share purchase agreement to acquire a controlling interest in The Phoenix Holdings Ltd. to terminate, which was completed on July 2, 2018. As a result of the termination, Sirius Group recognized an income statement charge for the $4.5 million call option during the second quarter of 2018.

On July 14, 2018, the Company, IMG Acquisition Holdings, LLC ("IMGAH"), and Sirius Acquisitions Holding Company II entered into a Redemption Agreement pursuant to which, effective as of and subject to the closing of the Merger, the Company has agreed to redeem all of the outstanding Series A redeemable preference shares, which are held by IMGAH, for $95 million in cash. Effective as of the completion of such redemption, the parties have agreed to terminate the registration rights agreement and the shareholder's agreement between the Company and IMGAH. In addition, the parties agreed that the IMG Earnout liability will be paid in cash, not in Series A redeemable preference shares.