

**Sirius International Insurance Group, Ltd.
Interim Consolidated Financial Statements
and Supplemental Schedules**

For the quarterly period ended September 30, 2017

Sirius International Insurance Group, Ltd.
Interim Consolidated Financial Statements for the quarterly period ended September 30,
2017
Unaudited

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Report of Independent Auditors

To the Board of Directors of
Sirius International Insurance Group, Ltd.

We have reviewed the accompanying consolidated interim financial information of Sirius International Insurance Group, Ltd. and its subsidiaries, which comprise the consolidated balance sheet as of September 30, 2017, and the related consolidated statements of operations and comprehensive (loss) income for the three-month and nine-month periods ended September 30, 2017 and 2016 and the consolidated statements of shareholder's equity and of cash flows for the nine-month periods ended September 30, 2017 and 2016.

Management's Responsibility for the Consolidated Interim Financial Information

The Company's management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Sirius International Insurance Group, Ltd. and its subsidiaries as of December 31, 2016, and the related consolidated statements of operations and comprehensive (loss) income, of shareholder's equity and of cash flows for the year then ended (not presented herein), and in our report dated April 7, 2017, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet



information as of December 31, 2016, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

The accompanying supplemental schedules, which comprise the consolidating balance sheets and consolidating statements of operations and comprehensive income as of and for the 9 months ended September 30, 2017, are presented for purposes of additional analysis and are not a required part of the consolidated interim financial information. Such information is the responsibility of management. We have not audited or reviewed such information, and accordingly, we do not express an opinion or conclusion or provide any assurance on it.

PriceWaterhouseCoopers LLP

New York, New York
November 15, 2017

Sirius International Insurance Group, Ltd.
Consolidated Balance Sheets

Millions, except share and per share amounts	September 30, 2017 Unaudited	December 31, 2016
Assets		
Fixed maturity investments, at fair value	\$ 2,274.6	\$ 2,891.6
Short-term investments, at amortized cost (which approximates fair value)	911.3	538.0
Common equity securities, at fair value	315.9	123.0
Other long-term investments	236.0	124.8
Total investments	3,737.8	3,677.4
Cash	145.7	137.1
Reinsurance recoverable on unpaid losses	334.9	291.5
Reinsurance recoverable on paid losses	18.2	17.1
Insurance and reinsurance premiums receivable	630.0	394.6
Funds held by ceding companies	141.1	100.0
Deferred acquisition costs	123.2	84.7
Deferred tax asset	312.5	279.1
Ceded unearned insurance and reinsurance premiums	127.7	101.1
Accrued investment income	11.9	19.0
Goodwill	397.1	-
Intangible assets	225.2	5.0
Other assets	96.0	59.9
Total assets	\$ 6,301.3	\$ 5,166.5
Liabilities		
Loss and loss adjustment expense reserves	\$ 1,916.6	\$ 1,620.1
Unearned insurance and reinsurance premiums	597.5	398.0
Debt	724.9	396.2
Mandatorily redeemable preference shares	250.0	-
Deferred tax liability	316.9	239.7
Funds held under reinsurance treaties	68.5	63.4
Ceded reinsurance payable	158.4	99.6
Accounts payable on unsettled investment purchases	1.4	7.6
Other liabilities	262.9	102.5
Total liabilities	4,297.1	2,927.1
Mezzanine equity		
Series A redeemable preference shares	103.5	-
Common shareholder's equity		
Common shares at \$0.01 par value per share - authorized 600,000,000 shares; issued and outstanding 120,000,000 shares	1.2	1.2
Additional paid-in surplus	1,196.1	1,184.6
Retained earnings	842.4	1,014.5
Accumulated other comprehensive (loss), after-tax:		
Net unrealized foreign currency translation (losses)	(138.7)	(212.2)
Total common shareholder's equity	1,901.0	1,988.1
Non-controlling interests	(0.3)	251.3
Total equity	1,900.7	2,239.4
Total liabilities, mezzanine equity, and equity	\$ 6,301.3	\$ 5,166.5

See Notes to Interim Consolidated Financial Statements including **Note 15** for Contingencies

Sirius International Insurance Group, Ltd.
Consolidated Statements of Operations and Comprehensive (Loss) Income
Unaudited

Millions	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues				
Gross written insurance and reinsurance premiums	\$ 356.7	\$ 293.8	\$ 1,166.4	\$ 1,020.7
Net written insurance and reinsurance premiums	\$ 277.6	\$ 223.5	\$ 874.7	\$ 755.7
Net earned insurance and reinsurance premiums	\$ 282.8	\$ 229.3	\$ 750.6	\$ 648.9
Net investment income	12.1	14.5	44.2	39.3
Net realized investment (losses) gains	(24.4)	4.8	(26.9)	276.4
Net unrealized investment (losses) gains	(2.7)	7.0	(25.2)	(206.1)
Net foreign exchange gains (losses)	15.7	(5.8)	17.0	(13.7)
Other revenue	9.5	1.6	11.8	6.1
Total revenues	293.0	251.4	771.5	750.9
Expenses				
Loss and loss adjustment expenses	371.2	118.3	626.6	388.7
Insurance and reinsurance acquisition expenses	49.5	53.5	143.5	158.8
Other underwriting expenses	28.7	27.2	86.6	77.0
General and administrative expenses	19.8	13.6	60.5	70.7
Intangible asset amortization expenses	3.9	-	6.3	-
Accretion of fair value adjustment to loss and loss adjustment expense reserves	-	0.1	0.1	0.5
Interest expense on debt	5.0	6.8	14.6	20.1
Total expenses	478.1	219.5	938.2	715.8
Pre-tax (loss) income				
Income tax benefit (expense)	(185.1)	31.9	(166.7)	35.1
(Loss) income before equity in earnings of unconsolidated affiliates	(172.3)	27.8	(155.4)	28.4
Equity in earnings of unconsolidated affiliates, net of tax	-	-	-	6.6
(Loss) income before income (loss) attributable to non-controlling interests	(172.3)	27.8	(155.4)	35.0
Net income attributable to non-controlling interests	(4.2)	-	(13.2)	(9.4)
Net (loss) income before accrued dividends on Series A redeemable preference shares	(176.5)	27.8	(168.6)	25.6
Accrued dividends on Series A redeemable preference shares	(2.5)	-	(3.5)	-
Net (loss) income attributable to Sirius Group's common shareholder	(179.0)	27.8	(172.1)	25.6
Other comprehensive income (loss), net of tax				
Change in foreign currency translation, net of tax	26.3	(14.9)	73.5	(22.1)
Net change in other, net of tax	-	-	-	1.0
Comprehensive (loss) income attributable to Sirius Group's common shareholder	\$ (152.7)	\$ 12.9	\$ (98.6)	\$ 4.5

See Notes to Interim Consolidated Financial Statements

Sirius International Insurance Group, Ltd.
Consolidated Statements of Shareholder's Equity
Unaudited

Sirius Group Shareholder's Equity						
Millions	Common shares and paid-in surplus	Retained earnings	AOCI, after-tax	Total shareholder's equity	Non-controlling interests	Total equity
Balances at January 1, 2017	\$ 1,185.8	\$ 1,014.5	\$ (212.2)	\$ 1,988.1	\$ 251.3	\$ 2,239.4
Net (loss) income	-	(168.6)	-	(168.6)	13.2	(155.4)
Accrued dividends on Series A redeemable preference shares	-	(3.5)	-	(3.5)	-	(3.5)
Net change in foreign currency translation	-	-	73.5	73.5	-	73.5
Net change in other accumulated comprehensive items	-	-	-	-	-	-
Comprehensive (loss) income	-	(172.1)	73.5	(98.6)	13.2	(85.4)
Capital contribution from former parent	11.5	-	-	11.5	-	11.5
Dividends to former parent	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	(14.1)	(14.1)
Redemption of SIG Preference Shares (See Note 11.)	-	-	-	-	(250.0)	(250.0)
Other, net	-	-	-	-	(0.7)	(0.7)
Balances at September 30, 2017	\$ 1,197.3	\$ 842.4	\$ (138.7)	\$ 1,901.0	\$ (0.3)	\$ 1,900.7

Sirius Group Shareholder's Equity						
Millions	Common shares and paid-in surplus	Retained earnings	AOCI, after-tax	Total shareholder's equity	Non-controlling interests	Total equity
Balances at January 1, 2016	\$ 1,096.2	\$ 1,009.0	\$ (146.1)	\$ 1,959.1	\$ 250.1	\$ 2,209.2
Net (loss) income	-	25.6	-	25.6	9.4	35.0
Accrued dividends on Series A redeemable preference shares	-	-	-	-	-	-
Net change in foreign currency translation	-	-	(22.1)	(22.1)	-	(22.1)
Net change in other accumulated comprehensive items	-	-	1.0	1.0	-	1.0
Comprehensive (loss) income	-	25.6	(21.1)	4.5	9.4	13.9
Capital contribution from former parent	84.1	-	-	84.1	-	84.1
Dividends to former parent	-	(27.0)	-	(27.0)	-	(27.0)
Dividends to non-controlling interests	-	-	-	-	(9.4)	(9.4)
Redemption of SIG Preference Shares (See Note 11.)	-	-	-	-	-	-
Other, net	0.1	-	-	0.1	0.7	0.8
Balances at September 30, 2016	\$ 1,180.4	\$ 1,007.6	\$ (167.2)	\$ 2,020.8	\$ 250.8	\$ 2,271.6

See Notes to Interim Consolidated Financial Statements

Sirius International Insurance Group, Ltd.
Consolidated Statements of Cash Flows
Unaudited

Millions	Nine Months Ended September 30,	
	2017	2016
Cash flows from operations:		
Net (loss) income	\$ (168.6)	\$ 25.6
(Credits) charges to reconcile net income to net cash provided from (used for) operations:		
Net realized and unrealized investment gains	52.0	(70.4)
Amortization and depreciation	20.4	11.6
Excess of fair value of acquired net assets over cost (See Note 2.)	-	(6.2)
Undistributed equity in earnings of unconsolidated affiliates, after-tax	-	(6.6)
Other operating items:		
Net change in loss and loss adjustment expense reserves	203.6	10.0
Net change in reinsurance recoverable on paid and unpaid losses	(26.5)	(8.9)
Net change in funds held by ceding companies	(26.3)	(7.5)
Net change in unearned insurance and reinsurance premiums	144.0	134.3
Net change in ceded reinsurance payable	43.8	17.0
Net change in ceded unearned insurance and reinsurance premiums	(5.5)	(21.4)
Net change in insurance and reinsurance premiums receivable	(186.4)	(134.8)
Net change in deferred acquisition costs	(29.2)	(22.4)
Net change in funds held under reinsurance treaties	0.8	8.1
Net change in current and deferred income taxes, net	(23.9)	(23.3)
Net change in other assets and liabilities, net	(33.2)	(4.8)
Net cash (used in) operations	(35.0)	(99.7)
Cash flows from investing activities:		
Net change in short-term investments	(342.6)	(19.8)
Sales of fixed maturities and convertible fixed maturity investments	1,530.7	1,857.7
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	228.4	114.3
Sales of common equity securities	36.0	830.3
Distributions and redemptions of other long-term investments	38.4	20.8
Sales of consolidated subsidiaries and unconsolidated affiliates, net of cash sold	0.8	173.5
Contributions to other long-term investments	(138.3)	(35.8)
Purchases of common equity securities	(197.7)	(211.5)
Purchases of fixed maturities and convertible fixed maturity investments	(1,089.9)	(2,752.9)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired	(354.5)	27.5
Net change in unsettled investment purchases and sales	(6.6)	48.9
Other, net	(4.7)	4.5
Net cash (used in) provided from investing activities	(300.0)	57.5
Cash flows from financing activities:		
Issuance of debt, net of issuance costs	342.5	-
Repayment of debt	(3.8)	(10.3)
Collateral provided by interest rate cap counterparties	(0.8)	(1.2)
Capital contribution from former parent	11.5	84.1
Cash dividends paid to former parent	-	(27.0)
Cash dividends paid to non-controlling interests	(14.1)	(9.4)
Other, net	(0.9)	0.8
Net cash provided from financing activities	334.4	37.0
Effect of exchange rate changes on cash	9.2	(5.5)
Net increase (decrease) in cash during period	8.6	(10.7)
Cash balance at beginning of year	137.1	143.9
Cash balance at end of period	\$ 145.7	\$ 133.2

See Notes to Interim Consolidated Financial Statements

NOTE 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and include the accounts of Sirius International Insurance Group, Ltd. (the “Company”) and its subsidiaries (collectively with the Company, “Sirius Group”) and other entities required to be consolidated under GAAP. The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its insurance subsidiaries and other affiliates.

The Company’s wholly-owned subsidiaries provide insurance, reinsurance, and insurance-linked services on a worldwide basis. Sirius Group provides insurance and reinsurance products for property, accident and health, aviation and space, trade credit, marine, agriculture and certain other exposures on a worldwide basis through its subsidiaries, Sirius Bermuda Insurance Company Ltd. (“Sirius Bermuda”), Sirius International Insurance Corporation (“Sirius International”), Sirius America Insurance Company (“Sirius America”), and Lloyd’s Syndicate 1945 (“Syndicate 1945”). Sirius Group also specializes in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally through Sirius Global Solutions Holding Company (“Sirius Global Solutions”). Sirius Group through ArmadaGlobal (“Armada”) and International Medical Group (“IMG”) provides supplemental healthcare insurance products and administration services.

These unaudited Interim 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, 2016. The consolidated financial information as of December 31, 2016 included herein has been derived from the audited Consolidated Financial Statements as of December 31, 2016.

All intercompany transactions have been eliminated in consolidation. 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. These interim financial statements may not be indicative of financial results for the full year.

In 2017, Sirius Group changed certain estimates of Gross written insurance and reinsurance premiums to better align the revenue recognition with the substantive nature of the underlying risk exposure and consistently recognize revenue across the Company. The net effect of this change on Net earned insurance and reinsurance premiums and Pre-tax (loss) income was not significant. Premiums relating to reinsurance business written on an excess of loss basis that were previously recorded following the deposit method were changed to record an estimate of premium at the inception of the contract. Premiums that were previously recorded following the deposit method over a 16-month or 24-month period from inception of the contract were changed to the deposit method over a 12-month period from inception of the contract. Gross written insurance and reinsurance premiums are earned ratably over the term of the related policy or reinsurance treaty.

Recently Adopted Changes in Accounting Principles

Business Combinations – Measurement Period Adjustments

Effective January 1, 2016, Sirius Group adopted ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which requires adjustments to provisional amounts recorded in connection with a business combination that are identified during the measurement period to be recorded in the reporting period in which the adjustment amounts are determined, rather than as retroactive adjustments to prior periods. Sirius Group has not recognized any adjustments to estimated purchase accounting amounts for the year to date period ended September 30, 2017 and accordingly, there was no effect to Sirius Group’s financial statements upon adoption.

Sirius International Insurance Group, Ltd.
Notes to Interim Consolidated Financial Statements for the quarterly period ended
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Amendments to Consolidation Analysis

On January 1, 2016, Sirius Group adopted ASU 2015-02, *Amendments to the Consolidation Analysis* (ASC 810) which amends the guidance for determining whether an entity is a variable interest entity (“VIE”). ASU 2015-02 eliminates the separate consolidation guidance for limited partnerships and, with it, the presumption that a general partner should consolidate a limited partnership. In addition, ASU 2015-02 changes the guidance for determining if fee arrangements qualify as variable interests and the effect fee arrangements have on the determination of the primary beneficiary. Adoption of ASU 2015-02 did not affect the consolidation analysis for any of Sirius Group’s investments.

Debt Issuance Costs

On January 1, 2016, Sirius Group adopted ASU 2015-03, *Imputation of Interest* (ASC 835), which requires debt issuance costs to be presented as a deduction from the carrying amount of the related debt, consistent with the treatment required for debt discounts. The new guidance requires amortization of debt issuance costs to be classified within interest expense and also requires disclosure to the debt’s effective interest rate. Sirius Group has applied the guidance and has modified its disclosures to include the required effective interest rate on its debt.

Recent Accounting Pronouncements

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (ASC 230). The new guidance adds and clarifies the classification and presentation of restricted cash in the statement of cash flows. The standard also requires a description of the nature of the changes in restricted cash and cash equivalents during the periods presented. The updated guidance in ASU 2016-18 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. Sirius Group is evaluating the expected impact of this new guidance.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (ASC 230). This standard provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows, including among others, debt prepayment and extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims and distributions received from equity method investees. The standard also clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use of the underlying cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods. Sirius Group is currently assessing the impact of adoption this guidance will have on future financial statements and disclosures.

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 ASU, 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. ASU 2016-13 is effective for annual periods beginning after January 1, 2020, including interim periods. Sirius Group is evaluating the expected impact of this new guidance.

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 years beginning after December 15, 2018, including interim periods therein. Sirius Group is evaluating the expected impact of this new guidance and available adoption methods.

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Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASC 825-10). The new guidance requires all equity securities with readily determinable fair values to be measured at fair value with changes therein recognized through current period earnings. In addition, the new ASU requires a qualitative assessment for equity investments without readily determinable fair values to identify impairment, and for impaired equity security investments to be measured at fair value. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Sirius Group has taken the fair value election for its portfolio of equity security investments and, accordingly, does not expect the adoption of ASU 2016-01 to have a significant impact on its financial statements.

Short-Duration Contracts

In May 2015, the FASB issued ASU 2015-09, *Disclosures about Short Duration Contracts* (ASC 944), which requires expanded footnote disclosures about loss and loss adjustment expense (“LAE”) reserves. Under the new guidance, some disclosures currently presented outside of Sirius Group’s financial statements, such as loss development tables and a reconciliation of loss development data to the loss and LAE reserves reflected on the balance sheet, will become part of the financial statement footnotes. In addition, the loss development tables required to be presented under the new ASU must be presented on a disaggregated basis by accident year rather than by reporting year as currently presented. Some of the expanded disclosures are new requirements, such as the disclosure of reserves for losses incurred but not reported (“IBNR”) plus expected development on reported claims, which must be presented by accident year on a disaggregated basis. The new guidance also requires new disclosures about claim frequency data together with descriptions of the approach used to measure that data. Qualitative descriptions of methodologies and assumptions used to develop IBNR estimates must be presented together with the amounts of IBNR to which they relate, along with a discussion of any significant changes in methodology and assumptions and the related effect upon the loss reserves. The new guidance will be effective for annual periods beginning after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017 with retrospective restatement of prior periods required. Sirius Group will modify its financial statement footnote disclosures to conform to the requirements of ASU 2015-09 upon adoption, including revisions to prior year’s disclosures.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which modifies the guidance for revenue recognition. The scope of the new ASU excludes insurance contracts but is applicable to certain fee arrangements as well as commissions and other non-insurance revenues. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (ASC 606), which delayed the effective date of ASU 2014-09 to annual and interim reporting periods beginning after December 15, 2017. Sirius Group is in the process of evaluating the new guidance and has not yet determined the potential effect of adoption on its financial position, results of operations, or cash flows, but does not expect the impact of the adoption of ASU 2015-14 to have a significant impact on its financial statements

NOTE 2. Significant Transactions

The Phoenix Holdings Ltd. (“Phoenix”)

On September 14, 2017 Sirius Group entered into a definitive agreement to purchase 4.9% of Phoenix (“Initial Phoenix Shares”) from Delek Group Ltd. (“Delek Group”) for New Israeli Shekel (“NIS”) 208 million in cash (or \$58.8 million on date of purchase). As part of the agreement, Sirius Group purchased the Initial Phoenix Shares on September 19, 2017, and submitted an application to the Israeli Commissioner of Capital Markets, Insurance and Savings (the “Israeli Commissioner of Insurance”) for a permit to control Phoenix. Sirius Group has an exclusivity period expiring November 23, 2017 to conduct due diligence, during which time Sirius Group has the option to purchase all of Delek Group’s remaining shares in Phoenix (approximately 47.4%) for an additional sum of NIS 2.3 billion in cash (or \$647.4 million using the September 30, 2017 NIS to USD conversion rate), subject to certain adjustments for interest and earnings. At September 30, 2017, the investment in Phoenix was included in Common equity securities, at fair value at \$56.3 million. The call option to purchase the 47.4% of outstanding shares is valued at a cost of \$4.5 million and is included in Other assets.

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IMG

On May 26, 2017, Sirius Group acquired 100% ownership of IMG and its subsidiaries, a leading provider of global medical insurance products and assistance services. Total consideration consisted of \$250.8 million of cash, \$100.0 million of Series A redeemable preference shares that are convertible into Common shares (as explained further below), and up to \$50.0 million of contingent consideration (“IMG Earnout”), payable in Series A redeemable preference shares, which is 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 (“Debt Assumption”), reducing its cash consideration by that amount and resulting in a total equity consideration of \$264.4 million. Commensurate with the transaction, IMG’s subsidiary International Medical Group - Stop-Loss, Inc. (“IMG Stop-Loss”) was sold to Certus Management Group, Inc. (“Certus”). (See **Note 15**.) As part of the sale of IMG Stop-Loss, Sirius Group issued a secured promissory note of \$9.0 million to Certus. As of the acquisition date, Sirius Group recognized total assets acquired related to IMG of \$488.3 million (which includes the effects of the Certus spin-off), including \$69.1 million of tangible assets, \$274.2 million of goodwill, and \$145.0 million of other intangible assets; and total liabilities assumed of \$223.9 million, which included the Debt Assumption, at their estimated fair values. The IMG Earnout is payable if earnings before interest expense, taxes, depreciation and amortization (“EBITDA”) of IMG exceed amounts defined in the purchase agreement.

Series A Redeemable Preference Shares

As a part of the IMG acquisition, Sirius Group issued Series A redeemable preference shares, with 150,000 shares authorized and 100,000 issued at issuance date, with liquidation preference of \$1,000 per preference share (“Liquidation Preference”). Up to 50,000 are available pursuant to the IMG Earnout. The Series A redeemable preference shares participate in dividends on an as-converted basis with Common shares and other shares junior to the Series A redeemable preference shares (“Special Dividends”) and, provided that a sale or merger of Sirius Group where the surviving entity is a publically traded entity or a qualified public offering of Sirius Group on certain named stock exchanges (“Liquidity Event”), has not occurred on the three-year anniversary of the May 26, 2016 (“Initial Issue Date”), will receive cumulative dividends at 10% of the Liquidation Preference, compounded quarterly prospectively and in arrears (as if dividends were accruing and compounding as of the Initial Issue Date) (“Fixed Dividends”). The Series A redeemable preference shares will, per the automatic conversion feature, automatically convert into Common shares (i) upon the occurrence of a Liquidity Event, (ii) the five-year anniversary of the Initial Issue Date or (iii) a change of control (each a “Triggering Event”). Additionally, the holder has the option, per the optional redemption feature, to redeem for Liquidation Preference plus accrued and unpaid dividends upon either (x) the occurrence of a change of control or (y) the five-year anniversary of the Initial Issue Date, provided a Liquidity Event or change of control has not occurred prior to such time. As a result of the automatic conversion feature and option redemption feature, the Series A redeemable preference shares will either be converted into Common shares or redeemed upon the fifth anniversary (or a change of control if earlier) and if a Liquidity Event has not occurred prior to such time. Beginning on the six-year anniversary of the Initial Issue Date, the Series A redeemable preference shares that do convert into Common shares, pursuant to the conversion feature, (“Conversion Shares”) are redeemable, at the option of the holder, at the fair market value of such Conversion Shares at such time.

The redemption value for the Series A redeemable preference shares is equal to the Liquidation Preference plus all accrued dividends. In substance, these dividends are payable to the holder from the Initial Issue Date unless a Liquidity Event occurs prior to the third-year anniversary of the Initial Issue Date. As the occurrence of a Liquidity Event is not considered probable, the Sirius Group includes the 10% Liquidity Dividends accrued in the redemption value at the reporting date. The Company will include Special Dividends in the redemption value to the extent they are declared and unpaid. Increases in the carrying amount of the Series A redeemable preference shares are charged against Net loss (income) attributable to Sirius Group’s common shareholder.

The Liquidation Preference (\$100.0 million) of the Series A redeemable preference shares are reflected as Mezzanine equity in the balance sheet. It is not subject to fair value or remeasurement, except for accrued dividends. The IMG Earnout (at \$43.1 million fair value) is reflected within Other liabilities. The IMG Earnout is subject to fair value and quarterly measurement, which is a component of net income each period and reflected in Interest expense on debt.

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ArmadaGlobal

On April 3, 2017, Sirius Group purchased 100% of ArmadaCorp Capital, LLC (“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. 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. As of the acquisition date, Sirius Group recognized total assets acquired related to Armada of \$215.8 million, including \$11.6 million of tangible assets, \$122.7 million of goodwill, and \$81.5 million of other intangible assets; and total liabilities assumed of \$13.3 million at their estimated fair values. The contingent consideration is payable if EBITDA of Armada exceeds amounts defined in the redemption agreement. The Armada Earnout can be settled in the Company’s Common shares, subject to certain criteria.

The Armada Earnout is reflected within Other liabilities. The Armada Earnout is subject to fair value and quarterly measurement, which is a component of net income each period and reflected in Interest expense on debt.

Mount Beacon

On May 17, 2016, Sirius Global Solutions and Florida Specialty Insurance Company partnered to form Florida Specialty Acquisition LLC (“FSA”). Sirius Global Solutions provided \$15.8 million to acquire 100% of FSA’s common shares. FSA acquired Mount Beacon Holdings, LLC and its subsidiaries including Mount Beacon Insurance Company (“Mount Beacon”).

OneBeacon

On April 18, 2016, Sirius Group sold its investment in OneBeacon Insurance Group, Ltd. (“OneBeacon”) at fair value to White Mountains Insurance Group, Ltd. (“White Mountains”), the Company’s former parent, for proceeds of \$178.3 million in connection with the sale of Sirius Group to CMIG International Holding Pte. Ltd. (“CMIG International”) and recorded \$22.1 million of additional paid-in surplus for the excess of fair value over the equity method carrying value of OneBeacon. (See **Note 12.**)

Ashmere

On April 18, 2016, Sirius Global Solutions sold Ashmere Insurance Company to White Mountains for proceeds of \$18.5 million in connection of the sale of Sirius Group to CMIG International.

Symetra

On February 1, 2016, Sirius Group sold its investment in Symetra Financial Corporation (“Symetra”) for proceeds of \$559.8 million, or \$32.00 per share. (See **Note 12.**)

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NOTE 3. Reserves for Unpaid Losses and Loss Adjustment Expenses

The following table summarizes the loss and LAE reserve activities of Sirius Group for the nine months ended September 30, 2017 and 2016:

Millions	Nine Months Ended September 30,	
	2017	2016
Gross beginning balance	\$ 1,620.1	\$ 1,644.4
Less beginning reinsurance recoverable on unpaid losses	(291.5)	(283.1)
Net loss and LAE reserve balance	1,328.6	1,361.3
Loss and LAE reserves acquired ⁽¹⁾	14.3	7.0
Losses and LAE incurred relating to:		
Current year losses	622.5	418.6
Prior years losses	4.1	(29.9)
Total net incurred losses and LAE	626.6	388.7
Accretion of fair value adjustment to net loss and LAE reserves	0.1	0.5
Foreign currency translation adjustment to net loss and LAE reserves	33.1	5.6
Loss and LAE paid relating to:		
Current year losses	116.3	131.4
Prior years losses	304.6	275.6
Total loss and LAE payments	420.9	407.0
Net ending balance	1,581.8	1,356.1
Plus ending reinsurance recoverable on unpaid losses	334.9	288.8
Gross ending balance	\$ 1,916.7	\$ 1,644.9

⁽¹⁾ Loss and LAE reserves acquired in 2017 relate to Sirius Group's purchase of MG; 2016 relates to Sirius Group's purchase of Mount Beacon.

Loss and LAE development— Nine Months Ended September 30, 2017

During the nine months ended September 30, 2017, Sirius Group had net unfavorable loss reserve development of \$4.1 million. In the second quarter of 2017, Sirius Group strengthened its asbestos loss reserves by \$57.6 million, which was offset by reductions of other runoff claims reserves of \$37.0 million. There were also decreases in prior year loss reserves for the Aviation (\$5.3 million) and Accident and Health (\$4.3 million) lines of business.

Loss and LAE development— Nine Months Ended September 30, 2016

During the nine months ended September 30, 2016, Sirius Group had net favorable loss reserve development of \$29.9 million. The major reductions in loss reserve estimates were recognized in the property line of business (\$13.8 million). The decrease in property was driven primarily by reductions in the ultimate loss estimates for natural catastrophes that occurred between 2010 and 2015 due to lower than expected claims activity. There were also decreases in prior year loss reserves for the Aviation (\$4.7 million) and Accident and Health (\$4.1 million) lines of business.

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NOTE 4. Third Party Reinsurance

In the normal course of business, Sirius Group's insurance subsidiaries seek to limit losses that may arise from catastrophes or other 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 September 30, 2017, Sirius Group had reinsurance recoverables on paid losses of \$18.2 million and reinsurance recoverables of \$334.9 million on unpaid losses. At December 31, 2016, Sirius Group had reinsurance recoverables on paid losses of \$17.1 million and reinsurance recoverables of \$291.5 million on paid 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 5. 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, common equity securities, and other-long term investments which are all classified as trading securities. Trading securities are reported at fair value as of the balance sheet date. Realized and unrealized investment gains and losses on trading securities are reported in pre-tax revenues.

Sirius Group's fixed maturity investments are generally valued using industry standard pricing methodologies. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life.

Realized investment gains and losses resulting from sales of investment securities are accounted for using the specific identification method. Premiums and discounts on all fixed maturity investments are amortized or accreted to income over the anticipated life of the investment. Short-term investments consist of money market funds, certificates of deposit and other securities which, at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized or accreted cost, which approximated fair value as of September 30, 2017 and December 31, 2016.

Other long-term investments consist primarily of hedge funds, private equity funds, and direct investments in privately held common and convertible securities.

Net Investment Income

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

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Pre-tax net investment income for the three and nine months ended September 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Investment income:				
Fixed maturity investments	\$ 12.7	\$ 14.8	\$ 40.5	\$ 42.2
Short-term investments	-	-	0.1	0.3
Common equity securities	1.0	1.1	4.0	2.6
Other long-term investments	1.6	0.9	7.3	3.1
Total investment income	15.3	16.8	51.9	48.2
Investment expenses	(3.2)	(2.3)	(7.7)	(8.9)
Net investment income, pre-tax	\$ 12.1	\$ 14.5	\$ 44.2	\$ 39.3

Net Realized and Unrealized Investment Gains and Losses

Net realized and unrealized investment gains and losses for the three and nine months ended September 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net realized investment (losses) gains, pre-tax	\$ (24.4)	\$ 4.8	\$ (26.9)	\$ 276.4
Net unrealized investment (losses) gains, pre-tax	(2.7)	7.0	(25.2)	(206.1)
Net realized and unrealized investment (losses) gains, pre-tax	(27.1)	11.8	(52.1)	70.3
Income taxes attributable to realized and unrealized investment (losses) gains	6.1	(2.7)	13.0	(15.9)
Net realized and unrealized investment (losses) gains, after-tax	\$ (21.0)	\$ 9.1	\$ (39.1)	\$ 54.4

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Net realized investment gains and losses

Net realized investment gains and losses for the three and nine months ended September 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings
Fixed maturity investments	\$ (3.3)	\$ (10.2)	\$ (13.5)	\$ 3.0	\$ 1.2	\$ 4.2
Common equity securities	0.3	-	0.3	0.2	-	0.2
Other long-term investments	(0.4)	(10.8)	(11.2)	0.4	-	0.4
Net realized (losses) gains, pre-tax	(3.4)	(21.0)	(24.4)	3.6	1.2	4.8
Income taxes attributable to realized investment (losses) gains	1.5	2.9	4.4	(1.0)	(0.3)	(1.3)
Net realized investment (losses) gains, after-tax	\$ (1.9)	\$ (18.1)	\$ (20.0)	\$ 2.6	\$ 0.9	\$ 3.5

Millions	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains (losses) reflected in earnings
Fixed maturity investments	\$ (7.2)	\$ (12.1)	\$ (19.3)	\$ 16.2	\$ 35.0	\$ 51.2
Common equity securities	0.7	-	0.7	227.4	-	227.4
Other long-term investments	(0.2)	(8.1)	(8.3)	(2.2)	-	(2.2)
Net realized (losses) gains, pre-tax	(6.7)	(20.2)	(26.9)	241.4	35.0	276.4
Income taxes attributable to realized investment (losses) gains	1.5	2.4	3.9	(48.6)	(9.2)	(57.8)
Net realized investment (losses) gains, after-tax	\$ (5.2)	\$ (17.8)	\$ (23.0)	\$ 192.8	\$ 25.8	\$ 218.6

Net unrealized investment gains and losses

Net unrealized investment gains and losses for the three and nine months ended September 30, 2017 and 2016 consisted of the following:

Millions	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	\$ 2.5	\$ (13.0)	\$ (10.5)	\$ (0.7)	\$ -	\$ (0.7)
Common equity securities	11.6	(0.7)	10.9	(0.2)	-	(0.2)
Other long-term investments	(3.0)	(0.1)	(3.1)	(2.2)	10.1	7.9
Net unrealized investment gains (losses), pre-tax	11.1	(13.8)	(2.7)	(3.1)	10.1	7.0
Income taxes attributable to unrealized investment gains (losses)	(1.6)	3.3	1.7	1.2	(2.6)	(1.4)
Net unrealized investment gains (losses), after-tax	\$ 9.5	\$ (10.5)	\$ (1.0)	\$ (1.9)	\$ 7.5	\$ 5.6

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Millions	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	\$ 17.3	\$ (52.2)	\$ (34.9)	\$ 29.8	\$ (25.5)	\$ 4.3
Common equity securities	16.9	(3.5)	13.4	(212.2)	-	(212.2)
Other long-term investments	(1.1)	(2.6)	(3.7)	1.8	-	1.8
Net unrealized investment gains (losses), pre-tax	33.1	(58.3)	(25.2)	(180.6)	(25.5)	(206.1)
Income taxes attributable to unrealized investment gains (losses)	(5.3)	14.4	9.1	35.5	6.4	41.9
Net unrealized investment gains (losses), after-tax	\$ 27.8	\$ (43.9)	\$ (16.1)	\$ (145.1)	\$ (19.1)	\$ (164.2)

The following table summarizes the amount of total pre-tax unrealized gains (losses) included in earnings for Level 3 investments for the three and nine months ended September 30, 2017 and 2016:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Fixed maturity investments	\$ -	\$ -	\$ (0.1)	\$ -
Common equity securities	-	-	-	-
Other long-term investments	(0.8)	-	0.7	2.9
Total unrealized investment gains, pre-tax - Level 3 investments	\$ (0.8)	\$ -	\$ 0.6	\$ 2.9

Investment Holdings

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of Sirius Group's fixed maturity investments as of September 30, 2017 and December 31, 2016, were as follows:

Millions	September 30, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Fixed maturity investments:					
Debt securities issued by corporations	\$ 1,075.5	\$ 5.2	\$ (2.3)	\$ (4.4)	\$ 1,074.0
Mortgage-backed and asset-backed securities	1,024.4	1.8	(7.5)	(5.1)	1,013.6
U.S. Government and agency obligations	81.4	-	(0.5)	(0.3)	80.6
Foreign government, agency and provincial obligations	95.3	-	(1.2)	1.0	95.1
Preferred stocks	7.3	0.3	-	0.2	7.8
Municipal obligations	3.5	-	-	-	3.5
Total fixed maturity investments	\$ 2,287.4	\$ 7.3	\$ (11.5)	\$ (8.6)	\$ 2,274.6

Millions	December 31, 2016				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Fixed maturity investments:					
Debt securities issued by corporations	\$ 1,462.1	\$ 8.7	\$ (12.9)	\$ 20.1	\$ 1,478.0
Mortgage-backed and asset-backed securities	1,164.4	1.6	(13.9)	13.8	1,165.9
U.S. Government and agency obligations	148.7	0	(1.7)	(0.8)	146.5
Foreign government, agency and provincial obligations	84.8	-	(0.6)	5.2	89.4
Preferred stocks	10.2	0.3	-	0.3	10.8
Municipal obligations	1.0	-	-	-	1.0
Total fixed maturity investments	\$ 2,871.2	\$ 10.9	\$ (29.1)	\$ 38.6	\$ 2,891.6

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The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of Sirius Group's common equity securities and other long-term investments as of September 30, 2017 and December 31, 2016, were as follows:

Millions	September 30, 2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	\$ 303.2	\$ 17.9	\$ (3.0)	\$ (2.2)	\$ 315.9
Other long-term investments	\$ 228.5	\$ 8.6	\$ (5.1)	\$ 4.0	\$ 236.0

Millions	December 31, 2016				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	\$ 125.7	\$ 0.1	\$ (2.7)	\$ (0.1)	\$ 123.0
Other long-term investments	\$ 115.8	\$ 4.2	\$ (2.1)	\$ 6.9	\$ 124.8

Other Long-term Investments

Other long-term investments consist of the following as of September 30, 2017 and December 31, 2016:

Millions	Carrying Value at	
	September 30, 2017	December 31, 2016
Hedge funds and private equity funds ⁽¹⁾	\$ 162.2	\$ 85.4
Limited liability companies and private equity securities ⁽¹⁾	73.8	39.4
Total other-long term investments	\$ 236.0	\$ 124.8

⁽¹⁾See *Fair Value Measurements by Level* table.

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 September 30, 2017, Sirius Group held investments in 6 hedge funds and 29 private equity funds. The largest investment in a single fund was \$28.5 million as of September 30, 2017 and \$24.2 million as of December 31, 2016.

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The following table summarizes investments in hedge funds and private equity interests by investment objective and sector as of September 30, 2017 and December 31, 2016:

Millions	September 30, 2017		December 31, 2016	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Hedge funds				
Long/short equity multi-sector	\$ 28.5	\$ -	\$ -	\$ -
Other	3.2	-	3.7	-
Total hedge funds	31.7	-	3.7	-
Private equity funds				
Energy infrastructure & services	44.8	63.7	50.7	60.0
Multi-sector	10.4	1.0	8.9	1.5
Healthcare	23.4	32.6	19.4	24.4
Private equity secondaries	1.1	1.1	1.8	1.1
Real estate	0.3	-	0.3	-
Venture capital	35.0	-	0.2	-
Manufacturing/Industrial	15.5	5.1	0.4	19.6
Total private equity funds	130.5	103.5	81.7	106.6
Total hedge and private equity funds included in other long-term investments	\$ 162.2	\$ 103.5	\$ 85.4	\$ 106.6

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 table summarizes the September 30, 2017 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

Millions	Notice Period				Total
	30-59 days notice	60-89 days notice	90-119 days notice	120+ days notice	
Monthly	\$ -	\$ 28.5	\$ -	\$ -	\$ 28.5
Quarterly	0.9	-	-	-	0.9
Semi-annual	-	1.1	-	-	1.1
Annual	-	-	1.1	0.1	1.2
Total	\$ 0.9	\$ 29.6	\$ 1.1	\$ 0.1	\$ 31.7

Certain 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 September 30, 2017, no distributions were outstanding from these investments.

Sirius Group also submits redemption requests for certain of its investments in active hedge funds. As of September 30, 2017, there were no redemptions outstanding that would be subject to market fluctuations. Redemptions are recorded as receivables when the investment is no longer subject to market fluctuations.

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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 a 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 September 30, 2017, investments in private equity funds were subject to lock-up periods as follows:

Millions	1 – 3 years	3 – 5 years	5 – 10 years	>10 years	Total
Private Equity Funds - expected lock up period remaining	\$ 6.4	\$ 7.4	\$ 116.7	\$ -	\$ 130.5

Fair value measurements as of September 30, 2017

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 Group used quoted market prices or other observable inputs to determine fair value for 98% of its investment portfolio as of September 30, 2017. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, common equity securities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs are primarily comprised of fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, municipal obligations, mortgage and asset-backed securities, foreign government, agency and provincial obligations and preferred stocks. Investments valued using Level 2 inputs also include certain ETFs that track U.S. stock indices such as the Standard & Poor’s 500 (“S&P 500”) but are traded on foreign exchanges and that management values using the fund’s published NAV to account for the difference in market close times. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Level 3 fair value estimates based upon unobservable inputs include Sirius Group’s investments in fixed maturity investments, common equity securities and other long-term investments where quoted market prices are unavailable or are not considered reasonable. Transfers between levels are based on investments held as of the beginning of the period.

Sirius Group uses brokers and outside pricing services to assist in determining fair values. 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 methodologies and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, credit ratings, 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.

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Sirius Group's process to assess the reasonableness of the market prices obtained from the outside pricing sources covers substantially all of its fixed maturity investments and includes, but is not limited to, evaluation of pricing methodologies, and review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from alternate independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and review of assumptions utilized by the pricing service for selected measurements on an ad hoc basis throughout the year. Sirius Group also performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and \$1.0 million from the expected price based on these procedures are considered outliers. Also considered outliers are prices that haven't changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of Sirius Group's review process does not appear to support the market price provided by the pricing services, Sirius Group challenges the price. If Sirius Group cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question.

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 follow:

Debt securities issued by corporations: The fair value of debt securities issued by corporations is determined from an evaluated pricing model that uses information from market sources and integrates relative credit information, observed market movements, and sector news. Key inputs include 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.

Mortgage and asset-backed securities: The fair value of mortgage and asset-backed securities is determined from an evaluated 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, prepayment speeds, default rates, recovery rates, cash flow stress testing, credit quality ratings and market research publications.

Municipal obligations: The fair value of municipal obligations is determined from a pricing model that uses information from market makers, brokers-dealers, buy-side firms, and analysts along with general market information. Key inputs include benchmark yields, reported trades, issuer financial statements, material event notices and new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including type, coupon, credit quality ratings, duration, credit enhancements, geographic location and market research publications.

Foreign government, agency and provincial obligations: The fair value of foreign government, agency and provincial obligations is determined from an evaluated pricing model that uses feeds from data sources in each respective country, including active market makers and inter-dealer brokers. Key inputs include benchmark yields, reported trades, broker-dealer quotes, two-sided markets, benchmark securities, bids, offers, local exchange prices, foreign exchange rates and reference data including coupon, credit quality ratings, duration and market research publications.

Preferred stocks: The fair value of preferred stocks is determined from 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.

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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 periodic and audited annual financial statements of hedge funds and private equity funds and discussing each fund's pricing with the fund manager throughout the year. 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 value of Sirius Group's investments in hedge funds and private equity funds has been determined using net asset value.

Fair Value Measurements by Level

The following tables summarize Sirius Group's fair value measurements for investments as of September 30, 2017 and December 31, 2016 by level. The major security types were based on the legal form of the securities. Sirius Group has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing mortgage-backed or asset-backed securities vary depending on the nature of the issuing entity type. Sirius Group further disaggregates debt securities issued by corporations and common equity securities by industry sector because investors often reference commonly used benchmarks and their subsectors to monitor risk and performance. Accordingly, Sirius Group has further disaggregated these asset classes into subclasses based on the similar sectors and industry classifications it uses to evaluate investment risk and performance against commonly used benchmarks, such as the Barclays U.S. Intermediate Aggregate and S&P 500 indices.

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Millions	September 30, 2017			
	Fair value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Fixed maturities:				
U.S. Government and agency obligations	\$ 80.6	\$ 78.5	\$ 2.1	\$ -
Debt securities issued by corporations:				
Consumer	260.0	-	260.0	-
Financials	467.2	-	466.2	1.0
Industrial	97.1	-	97.1	-
Communications	83.1	-	83.1	-
Energy	84.8	-	84.8	-
Utilities	20.2	-	20.2	-
Materials	10.8	-	10.8	-
Technology	50.8	-	50.8	-
Total debt securities issued by corporations:	1,074.0	-	1,073.0	1.0
Mortgage-backed and asset-backed securities	1,013.6	-	1,013.6	-
Foreign government, agency and provincial obligations	95.1	86.0	9.1	-
Preferred stocks	7.8	-	1.8	6.0
Municipal obligations	3.5	-	3.5	-
Total fixed maturity investments	2,274.6	164.5	2,103.1	7.0
Short-term investments	911.3	870.8	40.5	-
Common equity securities:				
Financials	183.7	182.2	0.9	0.6
Exchange Traded Funds	132.2	123.2	8.2	0.8
Total common equity securities	315.9	305.4	9.1	1.4
Other long-term investments ⁽¹⁾	73.8	-	-	73.8
Total investments	\$ 3,575.6	\$ 1,340.7	\$ 2,152.7	\$ 82.2

⁽¹⁾ Excludes carrying value of \$162.2 associated with hedge funds and private equity funds where fair value is measured at net asset value using the practical expedient.

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Millions	December 31, 2016			
	Fair value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Fixed maturities:				
U.S. Government and agency obligations	\$ 89.4	\$ 86.2	\$ 3.2	\$ -
Debt securities issued by corporations:				
Consumer	340.0	-	340.0	-
Financials	557.8	-	557.8	-
Industrial	145.9	-	145.9	-
Communications	116.5	-	116.5	-
Energy	168.9	-	168.9	-
Utilities	57.8	-	57.8	-
Materials	22.8	-	22.8	-
Technology	68.3	-	68.3	-
Total debt securities issued by corporations:	1,478.0	-	1,478.0	-
Mortgage-backed and asset-backed securities	1,165.9	-	1,147.5	18.4
Foreign government, agency and provincial obligations	146.5	18.1	128.4	-
Preferred stocks	10.8	-	1.8	9.0
Municipal obligations	1.0	-	1.0	-
Total fixed maturity investments	2,891.6	104.3	2,759.9	27.4
Short-term investments	538.0	498.7	39.3	-
Common equity securities:				
Financials	5.4	5.4	-	-
Exchange Traded Funds	117.6	117.6	-	-
Total common equity securities	123.0	123.0	-	-
Other long-term investments ⁽¹⁾	39.4	-	-	39.4
Total investments	\$ 3,592.0	\$ 726.0	\$ 2,799.2	\$ 66.8

⁽¹⁾ Excludes carrying value of \$85.4 associated with hedge funds and private equity funds where fair value is measured at net asset value using the practical expedient.

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Debt Securities Issued by Corporations

The following table summarizes the ratings of the corporate debt securities held in Sirius Group's investment portfolio as of September 30, 2017 and December 31, 2016:

Millions	Fair Value at	
	September 30, 2017	December 31, 2016
AAA	\$ 155.8	\$ -
AA	180.5	370.4
A	330.0	478.1
BBB	382.7	620.2
Other	25.0	9.3
Debt securities issued by corporations ⁽¹⁾	\$ 1,074.0	\$ 1,478.0

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

Mortgage and 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 debt obligations, with the exception of \$9.2 million of non-agency residential mortgage resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency residential mortgage backed security.

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The following table summarizes the carrying value Sirius Group's mortgage and asset-backed securities as of September 30, 2017 and December 31, 2016:

Millions	September 30, 2017			December 31, 2016		
	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
Government National Mortgage Association	\$ 60.3	\$ 60.3	\$ -	\$ 77.3	\$ 77.3	\$ -
Federal National Mortgage Association	169.4	169.4	-	287.2	287.2	-
Federal Home Loan Mortgage Corp	25.3	25.3	-	88.2	88.2	-
Total Agency ⁽¹⁾	255.0	255.0	-	452.7	452.7	-
Non-agency:						
Residential	-	-	-	82.0	82.0	-
Commercial	258.0	258.0	-	163.4	157.0	6.4
Total Non-agency	258.0	258.0	-	245.4	239.0	6.4
Total mortgage-backed securities	513.0	513.0	-	698.1	691.7	6.4
Asset-backed securities:						
Credit card receivables	69.4	69.4	-	99.1	99.1	-
Vehicle receivables	318.8	318.8	-	260.6	260.6	-
Other	112.4	112.4	-	108.1	96.1	12.0
Total asset-backed securities	500.6	500.6	-	467.8	455.8	12.0
Total mortgage and asset-backed securities	\$ 1,013.6	\$ 1,013.6	\$ -	\$ 1,165.9	\$ 1,147.5	\$ 18.4

⁽¹⁾ Represents publicly traded mortgage-backed securities which carry the full faith and credit guaranty of the U.S. government (i.e., Government National Mortgage Association) or are guaranteed by a government sponsored entity (i.e., Federal National Mortgage Association, Federal Home Loan Mortgage Corp).

Rollforward of Fair Value Measurements by Level

Sirius Group uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturity investments, common equity securities, and other long-term investments as of September 30, 2017 and 2016 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

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The following tables summarize the changes in Sirius Group's fair value measurements by level for the nine months ended September 30, 2017 and 2016:

Millions	Level 3 Investments						Hedge Funds and Private Equity Funds measured at NAV	Total
	Level 1 Investments	Level 2 Investments	Fixed Maturities	Common equity securities	Other long-term investments			
Balance at January 1, 2017	\$ 227.3	\$ 2,759.8	\$ 27.5	\$ -	\$ 39.4	\$ 85.4	\$ 3,139.4 ⁽¹⁾	
Total realized and unrealized gains (losses)	8.7	(23.3)	(5.0)	0.1	(1.3)	(3.1)	(23.9)	
Foreign currency gains (losses) through OCI	16.9	72.5	0.1	0.1	2.1	4.6	96.3	
Accretion/Amortization	(0.6)	(14.2)	-	-	-	-	(14.8)	
Purchases	240.7	743.4	2.7	1.2	35.6	111.6	1,135.2	
Sales	(90.3)	(1,377.1)	-	-	(2.0)	(36.3)	(1,505.7)	
Transfers in	67.2	18.3	-	-	-	-	85.5	
Transfers out	-	(67.2)	(18.3)	-	-	-	(85.5)	
Balance at September 30, 2017	\$ 469.9	\$ 2,112.2	\$ 7.0	\$ 1.4	\$ 73.8	\$ 162.2	\$ 2,826.5 ⁽¹⁾	

⁽¹⁾ Excludes carrying value of \$538.0 and \$911.3 at January 1, 2017 and September 30, 2017 classified as short-term investments.

Millions	Level 3 Investments						Hedge Funds and Private Equity Funds measured at NAV ⁽³⁾	Total
	Level 1 Investments	Level 2 Investments	Fixed Maturities	Common equity securities	Other long-term investments			
Balance at January 1, 2016	\$ 871.3	\$ 2,214.8	\$ 3.0	\$ -	\$ 28.6	\$ 45.8	\$ 3,163.5 ⁽¹⁾⁽²⁾	
Total realized and unrealized gains (losses)	25.2	40.2	-	-	1.6	(0.8)	66.2	
Foreign currency gains (losses) through OCI	(6.7)	(14.7)	-	-	(0.9)	(0.6)	(22.9)	
Accretion/Amortization	(0.3)	(15.1)	-	-	-	-	(15.4)	
Purchases	642.7	2,483.5	11.1	-	1.6	34.1	3,173.0	
Sales	(1,061.9)	(1,909.3)	-	-	(1.5)	(15.5)	(2,988.2)	
Transfers in	-	-	-	-	-	-	-	
Transfers out	-	-	-	-	-	-	-	
Balance at September 30, 2016	\$ 470.3	\$ 2,799.4	\$ 14.1	\$ -	\$ 29.4	\$ 63.0	\$ 3,376.2 ⁽²⁾	

⁽¹⁾ Excludes carrying value of \$3.8 associated with other long-term investment limited partnerships accounted for using the equity method.

⁽²⁾ Excludes carrying value of \$323.2 and \$363.8 at January 1, 2016 and September 30, 2016 classified as short-term investments.

Fair Value Measurements – transfers between levels

During the first nine months of 2017, there were \$18.3 million of fixed maturity investments classified as Level 3 measurements in the prior period that were transferred to Level 2 measurements. During the first nine months of 2016, there were no fixed maturity investments classified as Level 3 measurements in the prior period that were transferred to Level 2 measurements.

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Significant Unobservable Inputs

The following summarizes significant unobservable inputs used in estimating the fair value of investment securities classified within Level 3 other than hedge funds and private equities as of September 30, 2017 and December 31, 2016. The fair value of investments in hedge funds and private equity funds, which are classified within Level 3, are estimated using the net asset value of the funds.

(\$ in Millions)		September 30, 2017			
Description	Rating ⁽¹⁾	Valuation Technique(s)	Fair Value	Unobservable Input	
Private equity securities ⁽²⁾	NR	Multiple of GAAP book value	\$ 17.1	Book value multiple	1.0X
Private equity securities ⁽²⁾	NR	Multiple of GAAP book value	\$ 10.5	Book value multiple	1.0X
Private equity securities ⁽²⁾	NR	Share price of recent transaction	\$ 25.0	Purchase price	31.25
Preferred stock ⁽²⁾	NR	Average fair value	\$ 6.0	Average share price	\$0.6
Fund	NR	Share price of recent transaction	\$ 0.5	Purchase price	\$52.0
Fund	NR	Share price of recent transaction	\$ 0.1	Purchase price	\$0.1
Fund	NR	Share price of recent transaction	\$ 0.8	Purchase price	\$48.0
Private debt instrument ⁽²⁾	NR	Share price of recent transaction	\$ 0.5	Purchase price	\$0.5
Private debt instrument ⁽²⁾	NR	Share price of recent transaction	\$ 9.0	Purchase price	\$9.0
Private debt instrument ⁽²⁾	NR	Share price of recent transaction	\$ 9.0	Purchase price	\$9.0
Private debt instrument ⁽²⁾	NR	Share price of recent transaction	\$ 2.7	Purchase price less pay down	\$2.7
Convertible Note	NR	Share price of recent transaction	\$ 1.0	Purchase price	\$1.0

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

⁽²⁾ As of September 30, 2017 each asset type consists of one security.

(\$ in Millions)		December 31, 2016			
Description	Rating ⁽¹⁾	Valuation Technique(s)	Fair Value	Unobservable Input	
Private equity securities ⁽²⁾	NR	Multiple of GAAP book value	\$ 16.1	Book value multiple	1.0X
Private equity securities ⁽²⁾	NR	Multiple of GAAP book value	\$ 10.5	Book value multiple	1.0X
Common stock warrant ⁽²⁾	NR	Average fair value	\$ 0.5	Discount rate rage	14-17%
Preferred stock ⁽²⁾	NR	Average fair value	\$ 3.0	Average share price	86.3
Preferred stock ⁽²⁾	NR	Average fair value	\$ 6.0	Average share price	0.6
Private debt instrument ⁽²⁾	NR	Share price of recent transaction	\$ 9.0	Purchase price	\$9.0
Private debt instrument ⁽²⁾	NR	Share price of recent transaction	\$ 3.3	Purchase price less pay down	\$3.3
Asset-backed securities ⁽³⁾	AAA	Broker pricing	\$ 18.4	Purchase price	\$18.4

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

⁽²⁾ As of December 31, 2016 each asset type consists of one security.

⁽³⁾ As of December 31, 2016 each asset type consists of two securities.

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NOTE 6. Goodwill and Intangible Assets

Goodwill represents the excess of the amount paid to acquire subsidiaries over the fair value of identifiable net assets at the date of acquisition. Intangible assets consist primarily of policyholder relationships, distribution relationships, trade names, customer relationships, information technology, and insurance licenses. Finite-life intangible assets are measured at their acquisition date fair values, are amortized over their economic lives, and presented net of accumulated amortization on the balance sheet.

Goodwill is not amortized, but rather is evaluated for impairment on an annual basis, or whenever indications of potential impairment exist. In the absence of any indications of potential impairment, the evaluation of goodwill is performed during the fourth quarter of each year. Sirius Group initially evaluates goodwill using a qualitative approach (“step zero”) to determine whether it is more likely than not that the fair value of goodwill is greater than its carrying value. If the results of the qualitative evaluation indicate that it is more likely than not that the carrying value of goodwill exceeds its fair value, Sirius Group performs the two-step quantitative test for impairment.

Intangible assets with finite lives are evaluated for impairment at least annually and when events or changes in circumstances indicate that it is more likely than not that the asset is impaired.

Sirius Group will evaluate the goodwill and intangible assets associated with the purchase of IMG and Armada as described in **Note 2** at December 31, 2017.

The following table shows the change in goodwill and intangible assets during the three months and nine months ended September 30, 2017 and 2016:

Millions	Three Months Ended September 30,					
	2017			2016		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Beginning balance	\$ 393.9	\$ 229.1	\$ 623.0	\$ -	\$ 5.0	\$ 5.0
Acquisitions of businesses	3.0	-	3.0	-	-	-
Foreign currency translation	0.2	-	0.2	-	-	-
Amortization	-	(3.9)	(3.9)	-	-	-
Ending Balance	\$ 397.1	\$ 225.2	\$ 622.3	\$ -	\$ 5.0	\$ 5.0

Millions	Nine Months Ended September 30,					
	2017			2016		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Beginning balance	\$ -	\$ 5.0	\$ 5.0	\$ -	\$ 5.0	\$ 5.0
Acquisitions of businesses	396.9	226.5	623.4	-	-	-
Foreign currency translation	0.2	-	0.2	-	-	-
Amortization	-	(6.3)	(6.3)	-	-	-
Ending Balance	\$ 397.1	\$ 225.2	\$ 622.3	\$ -	\$ 5.0	\$ 5.0

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NOTE 7. Debt and Standby Letters of Credit Facilities

Sirius Group's debt outstanding as of September 30, 2017 and December 31, 2016 consisted of the following:

Millions	September 30, 2017	Effective Rate ⁽¹⁾	December 31, 2016	Effective Rate ⁽¹⁾
2016 SIG Senior Notes, at face value	\$ 400.0	4.7%	\$ 400.0	4.7%
Unamortized original issue discount	(2.9)		(3.1)	
Unamortized original issuance costs	(4.7)		(4.4)	
SIG Senior Notes, carrying value	<u>392.4</u>		<u>392.5</u>	
2017 SEK Subordinated Notes, at face value	\$ 336.0	3.6%	\$ -	
Unamortized original issuance costs	(3.5)		-	
SEK Subordinated Notes, carrying value	<u>332.5</u>		<u>-</u>	
Old Lyme Note	-		3.7	3.6%
Total debt	<u>\$ 724.9</u>		<u>\$ 396.2</u>	

⁽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 and December 22 in each year commencing on December 22, 2017, until maturity in September 2047.

Sirius Group incurred SEK 27.5 million (or \$3.5 million on date of issuance) in underwriting fees related to the issuance of the 2017 SEK Subordinated Notes, which have been deferred and are being recognized into interest expense over the life of the 2017 SEK Subordinated Notes.

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 16**.)

Old Lyme Note

On April 25, 2017, Sirius Group made a payment of \$3.8 million to retire the Old Lyme Note that was issued as part of the acquisition of the runoff loss reserve portfolio of Old Lyme. As part of the acquisition, Sirius Group entered into a five-year \$2.1 million purchase note that was subject to upward adjustments for favorable loss reserve development (up to 50% of \$6.0 million) and downward adjustments for any adverse loss reserve development. From inception, Sirius Group had favorable loss reserve development of \$3.4 million on the Old Lyme loss reserve position that resulted in an increase of \$1.7 million on the Old Lyme Note.

2016 SIG Senior Notes

In November 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 4.600%, payable semi-annually in arrears on May 1, and November 1, 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.

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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.

Stand By Letter of Credit Facilities

On November 11, 2016, Sirius International renewed two stand by letter of credit facility agreements totaling \$200 million to provide capital support for its Lloyds Syndicate 1945. One letter of credit is a \$125 million facility from Nordea Bank Finland plc (the “Nordea facility”), \$100 million of which is issued on an unsecured basis. The second letter of credit is a \$75 million facility with Lloyds Bank plc (the “Lloyds Bank facility”), \$25 million of which is issued on an unsecured basis. The Nordea facility is renewable annually while the Lloyds Bank facility is renewable bi-annually.

The unsecured portions of the Nordea facility and the Lloyds Bank facility are subject to various affirmative, negative and financial covenants that Sirius Group 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 September 30, 2017 and December 31, 2016, these secured letter of credit and trust arrangements were collateralized by pledged assets and assets in trust of SEK 1.9 billion and SEK 1.8 billion, or \$233.9 million and \$203.0 million (based on the September 30, 2017 and December 31, 2016 SEK to USD exchange rates). As of September 30, 2017 and December 31, 2016, Sirius America’s trust arrangements were collateralized by pledged assets and assets in trust of \$52.0 million and \$18.8 million. As of September 30, 2017 and December 31, 2016, Sirius Bermuda did not have any trust arrangements that were collateralized by pledged assets and assets in trust.

Debt and Standby Letter of Credit Facility Covenants

As of September 30, 2017, Sirius Group was in compliance with all of the covenants under the 2016 SIG Senior Notes, 2017 SEK Subordinated Notes, the Nordea facility, and the Lloyd’s Bank facility.

NOTE 8. 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 benefit of \$11.3 million during the first nine months of 2017 on pre-tax loss of \$166.7 million. Sirius Group reported an income tax expense of \$6.7 million during the first nine months of 2016 on pre-tax income of \$35.1 million. Sirius Group’s effective tax rate for the first nine months of 2017 and 2016 was 6.8% and 19.1%, respectively, which was lower than the Swedish statutory rate of 22% (the rate at which the majority of Sirius Group’s worldwide operations are taxed) due primarily to income generated in jurisdictions with lower tax rates than Sweden. In arriving at the effective tax rate for the nine months ended September 30, 2017 and 2016, 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, 2017 and 2016.

Deferred Tax Asset, net of Valuation Allowance

Sirius Group’s net deferred tax liability, net of the valuation allowance as of September 30, 2017 is \$4.4 million. Of the \$4.4 million, \$34.1 million relates to net deferred tax assets in the U.S. subsidiaries, \$215.3 million relates to net deferred tax assets in Luxembourg subsidiaries, \$10.3 million relates to net deferred tax assets in the United Kingdom subsidiaries, \$257.8 million relates to net deferred tax liabilities in the Sweden subsidiaries, and \$6.3 million relates to other net deferred tax liabilities.

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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 September 30, 2017, the total reserve for unrecognized tax benefits is \$29.7 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 \$27.9 million of such reserves as of September 30, 2017 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 \$1.8 million of such reserves as of September 30, 2017 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.

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 2011.

The Swedish Tax Authority ("STA") has denied the deduction in certain tax years of interest paid on intra-group debt instruments issued by two of our Swedish subsidiaries. Sirius Group is currently in the process of challenging the STA's decision because uncertainty still exists with respect to the interpretation of the legislation. Our reserve for uncertain tax positions has taken into account these developments. If our appeal were ultimately unsuccessful, we would be required to write down some or all of the Swedish deferred tax assets related to intra-group debt instruments.

NOTE 9. Derivatives

Interest Rate Cap

In May 2007, the Company issued the SIG Preference Shares, with an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate moved to a floating rate equal to the greater of (i) 7.506% or (ii) 3-month London Interbank Offered Rate ("LIBOR") plus 320 bps. In July 2013, the Company executed an interest rate cap for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period (the "Interest Rate Cap"). The Interest Rate Cap economically fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The cost of the Interest Rate Cap was an upfront premium of 395 bps of the \$250.0 million notional value, or approximately \$9.9 million for the full notional amount.

The Interest Rate Cap does not qualify for hedge accounting. It is recorded in Other assets at fair value. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenues. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. 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 September 30, 2017.

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The following table summarizes the change in the fair value of the Interest Rate Cap for three and nine months ended September 30, 2017 and 2016:

Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Beginning of Period	\$ 0.5	\$ 0.6	\$ 1.7	\$ 1.9
Net realized and unrealized losses	(0.1)	(0.1)	(1.3)	(1.4)
End of Period	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.5

Sirius Group does not provide any collateral to the Interest Rate Cap counterparties. Under the terms of the Interest Rate Cap, Sirius Group holds collateral in respect of future amounts due. 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:

Millions	September 30, 2017	
	Collateral Balances Held	S & P Rating ⁽¹⁾
Barclays Bank Plc	\$ 0.4	A-
Nordea Bank Finland Plc	0.1	AA-
Total	\$ 0.5	

(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 creditworthiness ratings).

Foreign Currency Swaps

On February 22, 2017, Sirius Group executed two foreign currency swaps, one in Euros ("Euro Swap") and one in Canadian dollars ("CAD Swap"). The Euro Swap has a notional amount of \$25.0 million and the CAD Swap has a notional amount of \$20.0 million. Both swaps mature on March 2, 2022. The swaps, which were executed as part of Sirius Group's management of overall foreign currency exposure at Sirius Group, have not been designated or accounted for under hedge accounting. There was no upfront premium for the swaps. As of September 30, 2017, the fair value of the swaps of \$9.1 million was recorded within Other liabilities. Changes in fair value are recognized as unrealized gains or losses and are presented within Net foreign exchange gains (losses). The net realized and unrealized gains (losses) recognized in Net foreign exchange gains (losses) for the Euro Swap and CAD Swap along with swaps that matured on March 20, 2017, for the three and nine months ended September 30, 2017 was \$(3.4) million and \$(10.2) million. Sirius Group does not provide or hold any collateral associated with the swaps. 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 September 30, 2017.

Weather Derivatives

For the nine months ended September 30, 2017 and 2016, Sirius Group recognized \$2.4 million of net losses and \$1.6 million of net gains, respectively, on its weather and weather contingent derivatives portfolio. The fair values of the assumed contracts are subject to change in the near-term and reflect management's best estimate based on various factors including, but not limited to, observed and forecasted weather conditions, changes in interest or foreign currency exchange rates and other market factors. Estimating the fair value of derivative instruments that do not have quoted market prices requires management's judgment in determining amounts that could reasonably be expected to be received from or paid to a third party to settle the contracts. Such amounts could be materially different from the amounts that might be realized in an actual transaction to settle the contract with a third party. 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.

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NOTE 10. Long-Term Incentive Compensation Plans

Sirius Group grants share-based and non-share based incentive awards to certain key employees of Sirius Group and its subsidiaries. This includes awards of restricted shares and phantom shares and performance units. Awards earned are subject to the attainment of pre-specified performance goals at the end of a three-year period or as otherwise determined. Phantom shares and performance units earned are typically paid in cash. For the three months ended September 30, 2017 and 2016, Sirius Group expensed \$(0.3) million and \$4.5 million, respectively. For the nine months ended September 30, 2017 and 2016, Sirius Group expensed \$6.0 million and \$12.3 million, respectively. Accrued incentive compensation for open performance cycles for these plans was \$16.9 million and \$30.2 million at September 30, 2017 and December 31, 2016. During the nine months ended September 30, 2017 and 2016, under the Stock Purchase Agreement (“SPA”) between CMIG International and White Mountains. White Mountains paid Sirius Group for the Phantom shares that the Company paid to its employees, with \$2.5 million and \$5.4 million recorded as Additional paid-in surplus, respectively.

NOTE 11. Common Shareholder’s Equity, Mezzanine Equity, and Non-controlling Interests

Common shareholder

At September 30, 2017, the Company is an indirect wholly-owned subsidiary of CMIG International, a Singapore Holding Company, through its Bermuda holding company CM Bermuda Ltd., an exempted Bermuda limited liability company. On April 27, 2016, the Company split its common shares by a multiple of 10,000 resulting in 120,000,000 common shares and changed the par value of the common shares from \$1.00 per share to \$0.01 per share. On November 16, 2016, the Company approved to increase its authorized share capital from \$1.2 million to \$6.0 million by the creation of an additional 480,000,000 common shares with a par value of \$0.01 per share. The increase was effective as of December 12, 2016.

Additional paid-in surplus

The following table summarizes the contributions made to the Company during the nine month period ended September 30, 2017 and 2016:

Millions	Nine Months Ended September, 30	
	2017	2016
Reimbursement for ILW parent covers	\$ -	\$ 16.5
Excess of fair value received over equity method carrying value of OneBeacon	-	22.1
Reimbursement for transaction bonuses	-	30.5
Reimbursement for performance shares	2.5	5.4
Reimbursement for retention bonuses	9.0	9.0
Other	-	0.6
Total paid-in capital	\$ 11.5	\$ 84.1

Dividends

During the first nine months of 2017, the Company did not pay common dividends to its parent. During the first nine months of 2016, the Company paid common dividends of \$27.0 million in cash and investments to its former parent.

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. 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%. At September 30, 2017, the balance of the Series A redeemable preference shares with accrued dividends was \$103.5 million. (See **Note 2.**)

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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 September 30, 2017 and December 31, 2016, Sirius Group's balance sheet included \$(0.3) million and \$251.3 million, respectively, in non-controlling interests.

On September 25, 2017, Sirius Group issued a notice that its indirect wholly-owned subsidiary, Sirius International Group, Ltd., elected to redeem all of its outstanding 250,000 Fixed/Floating Perpetual Non-Cumulative Preference Shares (the "SIG Preference Shares") on October 25, 2017. (See **Note 16**.) The redemption price equals the \$1,000 liquidation preference per preference share. Prior to the notice, Sirius Group accounted for the Preference Shares as a conditionally redeemable instrument within Non-controlling interests. As a result of the issuance of the notice of redemption, Sirius Group has reassessed its classification of the Preference Shares and has reclassified them as Mandatorily redeemable preference shares presented within Liabilities on the balance sheet as of September 30, 2017.

NOTE 12. Investments in Unconsolidated Affiliates

Sirius Group's investments in unconsolidated affiliates represent investments in other companies in which Sirius Group has a significant voting and economic interest but does not control the entity.

Symetra

Sirius Group's investment in Symetra represented an investment in which Sirius Group had a significant voting and economic interest but did not control the entity.

In August 2015, Symetra announced it had entered into a definitive merger agreement with Sumitomo Life pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains relinquished its representation on Symetra's board of directors. As a result, Sirius Group changed its accounting for Symetra common shares from the equity method to fair value. During the fourth quarter of 2015, Sirius Group recognized \$218.5 million (\$200.8 million after tax) of unrealized investment gains through net income, representing the difference between the carrying value of Symetra common shares under the equity method at the date of change and fair value at December 31, 2015. On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and Sirius Group received proceeds of \$559.8 million, or \$32.00 per common share. Sirius Group recognized \$4.0 million in pre-tax net investment gains associated with Symetra in the first quarter of 2016.

OneBeacon

On April 18, 2016, Sirius Group sold its investment in OneBeacon Insurance Group, Ltd. ("OneBeacon") at fair value to White Mountains for proceeds of \$178.3 million in connection with the sale of Sirius Group to CMIG International and recorded \$22.1 million of additional paid-in surplus for the excess of fair value over the equity method carrying value of OneBeacon.

The following table summarizes amounts recorded by Sirius Group under the equity method relating to its investment in OneBeacon for the period January 1, 2016 until April 18, 2016:

Millions	
Equity method carrying value of investment in OneBeacon at the beginning of period	\$ 151.9
Equity in earnings of OneBeacon	6.6
Dividends received	(3.0)
Other, net	0.7
Proceeds received for sale of OneBeacon	(178.3)
Excess of fair value received over equity method carrying value of OneBeacon	22.1
Equity method carrying value of investment in OneBeacon at the end of period	\$ -

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NOTE 13. Variable Interest Entities

Alstead Re

Alstead Reinsurance Ltd. (“Alstead Re”) is a variable interest entity for which Sirius Group is the primary beneficiary and is required to consolidate. As of September 30, 2017, Sirius Group consolidated total assets of \$12.3 million and total liabilities of \$11.5 million of Alstead Re. As of December 31 2016, Sirius Group consolidated total assets of \$2.5 million and total liabilities of \$0.8 million of Alstead Re. As of September 30, 2017 and December 31, 2016, Sirius Group recorded non-controlling interest of \$(0.3) million and \$0.5 million, respectively, in Alstead Re.

NOTE 14. Fair Value of Financial Instruments

Sirius Group accounts for its financial instruments at fair value with the exception of the 2016 SIG Senior Notes and 2017 SEK Subordinated Notes, which are recorded as debt liabilities at face value less unamortized original issue discount.

The following summarizes the fair value and carrying value of financial instruments that are not accounted for at fair value:

Millions	September 30, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
2016 SIG Senior Notes	\$ 392.4	\$ 392.4	\$ 382.4	\$ 392.5
2017 SEK Subordinated Notes	\$ 336.8	\$ 332.5	\$ -	\$ -
Old Lyme Note	\$ -	\$ -	\$ 3.7	\$ 3.7
SIG Preference Shares	\$ 250.0	\$ 250.0	\$ 252.8	\$ 250.0

The fair value estimate at September 30, 2017 and December 31, 2016, for the 2016 SIG Senior Notes and 2017 SEK Subordinated Notes have been determined by internal pricing and are considered a Level 3 measurement. The fair value estimate at September 30, 2017 for the SIG Preference Shares has been determined by the redemption price in the notice sent to holders of the SIG Preference Shares on September 25, 2017. (See **Note 11.**) The December 31, 2016 fair value estimate of the SIG Preference Shares and Old Lyme Note has been determined by internal pricing and is considered a Level 3 measurement.

NOTE 15. Related Party Transactions

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 2.**) 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 America and IMG – Stop Loss will continue its 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.

NOTE 16. 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. Our estimates of the costs of settling matters routinely encountered in claims activity are reflected in the reserves for unpaid loss and LAE. (See **Note 3**.)

Although the ultimate outcome of claims and non-claims related litigation and arbitration, and the amount or range of potential loss at any particular time, is often inherently uncertain, management does not believe that the ultimate outcome of such claims and non-claims related litigation and arbitration will have a material adverse effect on our financial condition, results of operations or cash flows.

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. 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 Action. The Plaintiffs filed a petition for 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. The granting of a writ of certiorari requires the affirmative vote of four U.S. Supreme Court justices. In the meantime, the Second Circuit’s decision remains in effect.

In addition, Sirius Group in their capacity as former shareholders 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 United States District Court for the Southern District of New York and was stayed pending the motion to dismiss in the Noteholder Action. An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014. In January, 2017 the Court dismissed the intentional fraudulent transfer claim.

Subsequently, the litigation trustee moved to amend the Fifth Amended Complaint in the Committee Action to add a constructive fraudulent conveyance claim against the shareholder defendants and for a modification of the litigation trustee’s prior request to defer certification for interlocutory appeal of the decision dismissing the intentional fraud claims.

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On August 24, 2017, Judge Sullivan denied the litigation trustee's motion without prejudice stating that a mere prospect of a change in law is not sufficient grounds to permit an amended claim. The litigation trustee's request to amend the complaint is based on the Supreme Court's grant of certiorari to review the decision in FTI Consulting, Inc. v. Merit Mgmt Grp. LP. In FTI Consulting, the Seventh Circuit determined 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 in the capacity of a conduit. The opposite approach is taken by most circuits, including the Second Circuit. The Supreme Court has taken on the issue to resolve the circuit split. Judge Sullivan noted that if the Supreme Court were to affirm FTI Consulting, the litigation trustee may have a strong argument in support of amending the Complaint.

No amount has been accrued in connection with this matter as of September 30, 2017 and December 31, 2016, as the amount of loss, if any, cannot be reasonably estimated.

NOTE 17. Subsequent Events

Subsequent Events (ASC 855) established general standards for accounting and disclosures of events occurring subsequent to the balance sheet date but prior to issuance of financial statements. The Company has evaluated subsequent events through November 15, 2017, the date on which the Interim Consolidated Financial Statements were issued.

SIG Preference Shares

On October 25, 2017, Sirius Group redeemed all of its outstanding 250,000 Fixed/Floating Perpetual Non-Cumulative Preference Shares at a price equal to the \$1,000 liquidation preference per preference share, for a total of \$250.0 million.

Sirius International Insurance Group, Ltd.
Supplemental Consolidating Financial Information
For the quarterly period ended September 30, 2017
Unaudited

Basis of Presentation

The accompanying September 30, 2017 Consolidating Balance Sheets (Unaudited) and Consolidating Statements of Operations (Unaudited) for the nine months ended September 30, 2017 have been prepared to satisfy regulatory reporting requirements in connection with Sirius Group's purchase of Phoenix. (See **Note 2**.) The information represents financial data on a standalone basis for the companies within Sirius Group that comprise its main insurance companies and operations. These companies are presented without consolidation of direct and indirect subsidiaries, which have been presented on the September 30, 2017 Consolidating Balance Sheets (Unaudited) as equity method investments in unconsolidated subsidiaries. Certain companies have been aggregated and presented together in the columns labeled "Other" and represent companies that are not part of the main insurance companies and operations chain. The columns labeled "Corp. Elim" represent consolidating adjustments, including those related to the accounting for direct and indirect subsidiaries and the elimination of intercompany transactions and balances which are primarily comprised of intercompany debt and intercompany insurance operations. The column labeled "Consolidated SIIG" represents the total of all columns and agrees to the consolidated financial statements of Sirius Group.

Sirius International Insurance Group, Ltd.
Supplemental Consolidating Financial Information
For the quarterly period ended September 30, 2017
Unaudited

Sirius International Insurance Group, Ltd.
(\$ in millions)

CONSOLIDATING BALANCE SHEETS (UNAUDITED)
US GAAP
SEPTEMBER 30, 2017

	SAIC ⁽¹⁾	SIHC	SReHi	SINT ⁽²⁾	FAHAB ⁽²⁾	SIHAB ⁽²⁾	SGH	SIUK	SBDA ⁽³⁾	SIG ⁽³⁾	SIH	SIIG ⁽³⁾	Other	Corp. Elim	Consolidated SIIG
Assets															
Fixed maturity investments, at fair value	\$ 816.4	\$ -	\$ 83.1	\$ 533.7	\$ -	\$ -	\$ -	\$ -	\$ 181.2	\$ 308.2	\$ -	\$ 4.1	\$ 347.9	\$ -	\$ 2,274.6
Short-term investments, at amortized cost (which approximates fair value)	77.7	0.7	11.0	242.1	-	0.1	0.1	-	449.6	36.4	-	23.3	70.3	-	911.3
Common equity securities, at fair value	119.9	-	3.4	124.1	-	-	-	-	4.7	-	-	56.3	7.5	-	315.9
Other long-term investments	119.6	-	13.5	98.0	-	-	-	-	200.2	-	-	-	1,416.6	(1,611.9)	236.0
Total investments	1,133.6	0.7	111.0	997.9	-	0.1	0.1	-	835.7	344.6	-	83.7	1,842.3	(1,611.9)	3,737.8
Cash	12.4	(0.2)	0.4	80.4	-	-	-	-	5.8	-	-	0.2	46.7	-	145.7
Reinsurance recoverable on unpaid losses	241.9	-	-	298.5	-	-	-	-	82.5	-	-	-	21.8	(309.8)	334.9
Reinsurance recoverable on paid losses	9.6	-	-	-	-	-	-	-	0.7	-	-	-	7.9	-	18.2
Insurance and reinsurance premiums receivable	104.7	-	-	537.2	-	-	-	-	183.2	-	-	-	28.6	(223.7)	630.0
Funds held by ceding companies	48.3	-	-	149.6	-	-	-	-	17.5	-	-	-	19.3	(93.6)	141.1
Investment in unconsolidated subsidiaries	-	566.2	848.0	1,350.2	1,540.0	1,205.8	1,205.8	1,711.9	1,742.3	2,419.4	1,765.8	1,957.5	653.7	(16,966.6)	-
Deferred acquisition costs	6.1	-	-	53.6	-	-	-	-	44.1	-	-	-	19.4	-	123.2
Deferred tax asset	30.7	82.9	(37.8)	10.2	-	-	-	-	-	(7.2)	-	0.9	232.8	-	312.5
Ceded unearned insurance and reinsurance premium	79.3	-	-	210.8	-	-	-	-	53.9	-	-	-	-	(216.3)	127.7
Accrued investment income	4.0	-	0.3	3.6	-	-	-	-	1.4	0.9	-	-	1.7	-	11.9
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	402.8	(5.7)	397.1
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	225.2	-	225.2
Other assets	2.9	0.2	0.3	44.9	100.4	92.6	88.7	-	5.0	0.5	-	16.4	29.1	(285.0)	96.0
Total assets	\$ 1,673.5	\$ 649.8	\$ 922.2	\$ 3,736.9	\$ 1,640.4	\$ 1,298.5	\$ 1,294.6	\$ 1,711.9	\$ 2,972.1	\$ 2,758.2	\$ 1,765.8	\$ 2,058.7	\$ 3,531.3	\$ (19,712.6)	\$ 6,301.3
Liabilities															
Loss and loss adjustment expense reserves	\$ 811.2	\$ -	\$ -	\$ 1,049.5	\$ -	\$ -	\$ -	\$ -	\$ 244.2	\$ -	\$ -	\$ -	\$ 121.5	\$ (309.8)	\$ 1,916.6
Unearned insurance and reinsurance premiums	116.1	-	-	462.1	-	-	-	-	189.6	-	-	-	46.0	(216.3)	597.5
Debt - internal	-	-	284.8	-	360.8	-	-	-	13.0	-	-	-	953.3	(1,611.9)	-
Debt - external	-	-	-	-	-	-	-	-	-	724.9	-	-	-	-	724.9
Mandatorily redeemable preference shares	-	-	-	-	-	-	-	-	-	250.0	-	-	-	-	250.0
Deferred tax liability	-	-	-	279.2	(21.4)	-	-	-	-	-	-	-	59.1	-	316.9
Funds held under reinsurance treaties	113.6	-	-	48.2	-	-	-	-	0.1	-	-	-	0.2	(93.6)	68.5
Ceded reinsurance payable	68.7	-	-	238.1	-	-	-	-	71.3	-	-	-	(0.1)	(219.6)	158.4
Accounts payable on unsettled investment purchases	-	-	-	1.4	-	-	-	-	-	-	-	-	-	-	1.4
Other liabilities	-	6.3	2.8	118.4	95.2	92.7	0.2	-	34.8	17.5	0.1	54.2	135.1	(294.4)	262.9
Total liabilities	1,109.6	6.3	287.6	2,196.9	434.6	92.7	0.2	-	553.0	992.4	0.1	54.2	1,315.1	(2,745.6)	4,297.1
Mezzanine equity															
	-	-	-	-	-	-	-	-	-	-	-	103.5	-	-	103.5
Shareholder's equity															
	563.9	643.5	634.6	1,540.0	1,205.8	1,205.8	1,294.4	1,711.9	2,419.4	1,765.8	1,765.7	1,901.0	2,215.8	(16,966.6)	1,901.0
Non-controlling interest	-	-	-	-	-	-	-	-	(0.3)	-	-	-	0.4	(0.4)	(0.3)
Total non-controlling interests	-	-	-	-	-	-	-	-	(0.3)	-	-	-	0.4	(0.4)	(0.3)
Total equity	563.9	643.5	634.6	1,540.0	1,205.8	1,205.8	1,294.4	1,711.9	2,419.1	1,765.8	1,765.7	1,901.0	2,216.2	(16,967.0)	1,900.7
Total liabilities, mezzanine equity, and equity	\$ 1,673.5	\$ 649.8	\$ 922.2	\$ 3,736.9	\$ 1,640.4	\$ 1,298.5	\$ 1,294.6	\$ 1,711.9	\$ 2,972.1	\$ 2,758.2	\$ 1,765.8	\$ 2,058.7	\$ 3,531.3	\$ (19,712.6)	\$ 6,301.3

Notes:

⁽¹⁾ Sirius America is audited annually on a US Statutory basis

⁽²⁾ Sirius Int'l, FAHAB, and SIHAB are audited annually on an IFRS basis

⁽³⁾ Sirius Bermuda, SIG, and Sirius Ltd. are audited annually on a consolidated US GAAP basis

Sirius International Insurance Group, Ltd.
Supplemental Consolidating Financial Information
For the quarterly period ended September 30, 2017
Unaudited

Sirius International Insurance Group, Ltd.
(\$ in millions)

CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)
US GAAP
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	SAIC ⁽¹⁾	SIHC	SReHi	SINT ⁽²⁾	FAHAB ⁽²⁾	SIHAB ⁽²⁾	SGH	SIUK	SBDA ⁽³⁾	SIG ⁽³⁾	SIH	SIIG ⁽³⁾	Other	Corp. Elim	Consolidated SIIG
Revenues															
Gross written insurance and reinsurance premiums	\$ 256.0	\$ -	\$ -	\$ 869.8	\$ -	\$ -	\$ -	\$ -	\$ 381.2	\$ -	\$ -	\$ -	\$ 44.6	\$ (385.2)	\$ 1,166.4
Net written insurance and reinsurance premiums	\$ 79.1	\$ -	\$ -	\$ 478.6	\$ -	\$ -	\$ -	\$ -	\$ 267.9	\$ -	\$ -	\$ -	\$ 49.1	\$ -	\$ 874.7
Earned insurance and reinsurance premiums	\$ 69.3	\$ -	\$ -	\$ 463.4	\$ -	\$ -	\$ -	\$ -	\$ 177.2	\$ -	\$ -	\$ -	\$ 40.7	\$ -	\$ 750.6
Net investment income	18.3	-	1.7	(2.8)	-	-	-	8.5	23.0	0.1	-	0.2	63.4	(68.2)	44.2
Net realized investment (losses) gains	(1.8)	-	(2.3)	(14.9)	-	-	-	-	(7.9)	(3.3)	-	0.2	3.1	-	(26.9)
Net unrealized investment (losses)	1.8	-	1.0	(13.2)	-	-	-	-	9.7	-	-	2.0	(26.5)	-	(25.2)
Net foreign exchange gains (losses)	(0.6)	-	-	57.6	-	-	5.5	-	(50.2)	(0.2)	-	(0.3)	5.2	-	17.0
Other revenue	0.7	-	-	(4.7)	-	-	-	-	2.7	(1.4)	-	0.9	55.7	(42.1)	11.8
Total revenues	\$ 87.7	\$ -	\$ 0.4	\$ 485.4	\$ -	\$ -	\$ 5.5	\$ 8.5	\$ 154.5	\$ (4.8)	\$ -	\$ 3.0	\$ 141.6	\$ (110.3)	\$ 771.5
Expenses															
Loss and loss adjustment expenses	71.1	-	-	359.1	-	-	-	-	172.4	-	-	-	24.0	-	626.6
Insurance and reinsurance acquisition expenses	6.7	-	-	100.6	-	-	-	-	49.8	-	-	-	13.2	(26.8)	143.5
Other underwriting expenses	16.7	2.3	-	48.5	-	-	-	-	17.5	-	-	(0.1)	8.2	(6.5)	86.6
General and administrative expenses	-	4.2	0.5	7.3	0.1	-	0.3	-	1.4	1.1	-	4.8	49.8	(9.0)	60.5
Intangible asset amortization expenses	-	-	-	-	-	-	-	-	-	-	-	-	6.3	-	6.3
Accretion of fair value adjustment to loss and loss adjustment reserves	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1
Interest expense on debt	-	-	12.6	-	14.5	3.6	-	8.5	8.8	14.6	-	-	20.0	(68.0)	14.6
Total expenses	94.6	6.5	13.1	515.5	14.6	3.6	0.3	8.5	249.9	15.7	-	4.7	121.5	(110.3)	938.2
Pre-tax (loss) income	(6.9)	(6.5)	(12.7)	(30.1)	(14.6)	(3.6)	5.2	-	(95.4)	(20.5)	-	(1.7)	20.1	-	(166.7)
Income tax benefit (expense)	3.0	3.0	(2.9)	6.4	3.2	-	-	-	(1.8)	(7.2)	-	0.9	(2.2)	8.9	11.3
(Loss) income before equity in earnings of unconsolidated affiliates	(3.9)	(3.5)	(15.6)	(23.7)	(11.4)	(3.6)	5.2	-	(97.2)	(27.7)	-	(0.8)	17.9	8.9	(155.4)
Equity in earnings of unconsolidated affiliates, net of tax	-	(5.9)	(12.7)	(12.2)	(35.9)	(47.3)	(50.9)	(75.5)	(28.0)	(124.3)	(152.0)	(167.8)	82.8	629.7	-
(Loss) income before income (loss) attributable to non-controlling interests	(3.9)	(9.4)	(28.3)	(35.9)	(47.3)	(50.9)	(45.7)	(75.5)	(125.2)	(152.0)	(152.0)	(168.6)	100.7	638.6	(155.4)
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	0.9	-	(14.1)	-	-	-	(13.2)
Net (loss) income before accrued dividends on Series A redeemable preference shares	(3.9)	(9.4)	(28.3)	(35.9)	(47.3)	(50.9)	(45.7)	(75.5)	(124.3)	(152.0)	(166.1)	(168.6)	100.7	638.6	(168.6)
Accrued dividends on Series A redeemable preference shares	-	-	-	-	-	-	-	-	-	-	-	(3.5)	-	-	(3.5)
Net (loss) income attributable to Sirius Group's common shareholder	(3.9)	(9.4)	(28.3)	(35.9)	(47.3)	(50.9)	(45.7)	(75.5)	(124.3)	(152.0)	(166.1)	(172.1)	100.7	638.6	(172.1)
Other comprehensive income (loss), net of tax															
Change in foreign currency translation, net of tax	1.8	1.8	1.8	69.2	38.4	35.7	35.7	23.4	73.1	73.1	73.1	73.5	104.1	(531.2)	73.5
Comprehensive (loss) income attributable to shareholders	\$ (2.1)	\$ (7.6)	\$ (26.5)	\$ 33.3	\$ (8.9)	\$ (15.2)	\$ (10.0)	\$ (52.1)	\$ (51.2)	\$ (78.9)	\$ (93.0)	\$ (98.6)	\$ 204.8	\$ 107.4	\$ (98.6)

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