

We're
smarter
together.



Financial highlights

In a challenging business environment, our Group earned 2014 net income of USD 3.5 billion.

Financial highlights

For the years ended 31 December

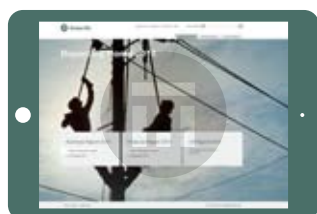
USD millions, unless otherwise stated	2013	2014	Change in %
Group			
Net income attributable to common shareholders	4 444	3 500	-21
Premiums earned and fee income	28 818	31 262	8
Earnings per share in CHF	12.04	9.33	-23
Common shareholders' equity	31 850	34 828	9
Return on equity ¹ in %	13.7	10.5	
Return on investments in %	3.6	3.7	
Number of employees ²	11 574	12 224	6
Property & Casualty Reinsurance			
Net income attributable to common shareholders	3 228	3 564	10
Premiums earned	14 542	15 598	7
Combined ratio in %	83.8	83.7	
Return on equity ¹ in %	26.0	26.7	
Life & Health Reinsurance			
Net income attributable to common shareholders	420	-462	
Premiums earned and fee income	10 023	11 265	12
Operating margin in %	5.8	2.6	
Return on equity ¹ in %	6.4	-7.9	
Corporate Solutions			
Net income attributable to common shareholders	279	319	14
Premiums earned	2 922	3 444	18
Combined ratio in %	95.1	93.0	
Return on equity ¹ in %	9.6	12.5	
Admin Re[®]			
Net income attributable to common shareholders	423	34	-92
Premiums earned and fee income	1 330	955	-28
Return on equity ¹ in %	6.8	0.6	

¹ Return on equity is calculated by dividing net income attributable to common shareholders by average common shareholders' equity.

² Regular staff

In this report

We provide a detailed record of our financial and operational performance over 2014.



More information online:
reports.swissre.com






















Swiss Re at a glance		Corporate responsibility	
Our business	2	Overview	110
Message from the Chairman	4	Natural catastrophes and climate change	111
Statement from the Group CEO	8	Expanding re/insurance protection	114
How we operate	10	Our sustainability risk framework	117
Financial targets	12	Diversity and inclusion in our workforce	119
Financial year		Compensation	
Market environment	16	Report from the Compensation Committee	122
Group strategy	24	Compensation context and highlights in 2014	123
Group results	26	Compensation framework	125
Group investments	28	Compensation governance	132
Summary of financial statements	32	Compensation decisions in 2014	136
Reinsurance	34	Report of the statutory auditor	144
Corporate Solutions	40	Financial statements	
Admin Re®	44	Group financial statements	148
Share performance	46	Notes to the Group financial statements	154
Risk and capital management		Report of the statutory auditor	240
Overview	50	Group financial years 2005–2014	242
Capital management	52	Swiss Re Ltd	244
Economic Value Management	55	General information	
Liquidity management	57	Glossary	260
Risk management	58	Cautionary note on forward-looking statements	266
Risk assessment	62	Note on risk factors	268
Corporate governance		Contacts	276
Overview	74	Corporate calendar	277
Group structure and shareholders	76		
Capital structure	79		
Board of Directors	82		
Executive management	96		
Shareholders' participation rights	102		
Changes of control and defence measures	103		
Auditors	104		
Information policy	106		

About the cover: Swiss Re aims to support infrastructure through both our re/insurance businesses and our investments. See page 30.

Business Units at a glance

Swiss Re is a leader in wholesale reinsurance, insurance and risk transfer solutions. Our clients include insurance companies, corporations, the public sector and policyholders.

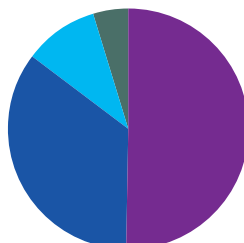
THE SWISS RE GROUP

Business Unit	Net premiums earned and fee income (USD billions)	Net income (USD millions)
Reinsurance Reinsurance is Swiss Re's largest business in terms of income and the foundation of our strength, providing about 85% of gross premiums and fee income through two segments – Property & Casualty and Life & Health. The unit aims to extend Swiss Re's industry-leading position with disciplined underwriting, prudent portfolio management and diligent client service.  Read more: page 34	Property & Casualty 2014  15.6 2013  14.5	2014  3 564 2013  3 228
	Life & Health 2014  11.3 2013  10.0	2014  -462 2013  420
Corporate Solutions Corporate Solutions serves mid-sized and large corporations, with product offerings ranging from traditional property and casualty insurance to highly customised solutions. Corporate Solutions serves customers from over 40 offices worldwide and is a growth engine of the Swiss Re Group.  Read more: page 40	2014  3.4 2013  2.9	2014  319 2013  279
	Admin Re® Admin Re® provides risk and capital management solutions by which Swiss Re acquires closed books of in-force life and health insurance business, entire lines of business, or the entire capital stock of life insurance companies. Admin Re® solutions help clients free up capital to redeploy to new business opportunities while reducing administrative burdens.  Read more: page 44	2014  1.0 2013  1.3
Total (after consolidation)	2014  31.3 2013  28.8	2014  3 500 2013  4 444

DIVERSIFIED AND GLOBAL

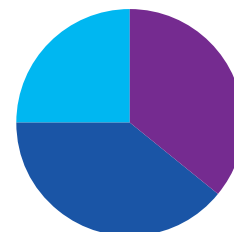
Net earned premiums and fee income by Business Unit (Total USD 31.3 billion)

- 50% P&C Reinsurance
- 36% L&H Reinsurance
- 11% Corporate Solutions
- 3% Admin Re®



Net earned premiums and fee income by region (Total USD 31.3 billion)

- 36% EMEA
- 39% Americas
- 25% Asia Pacific



Return on equity

26.7%
(26.0% 2013)

Operating performance

83.7%
(83.8% 2013)
Combined ratio

Highlights for the year

- Property & Casualty (P&C) Reinsurance maintains very strong earnings quality through disciplined underwriting and differentiation of knowledge and services.
- Strong P&C results demonstrate the benefit of a diversified earnings stream.
- Life & Health Reinsurance successfully executes its planned management actions on pre-2004 US life business, underlying its commitment to improve future profitability.

-7.9%
(6.4% 2013)

2.6%
(5.8% 2013)
Operating margin

12.5%
(9.6% 2013)

93.0%
(95.1% 2013)
Combined ratio

- Successful organic growth across all regions, with the highest growth in Europe and Latin America.
- Gross premiums written, net of internal fronting, increase by 6.8% to USD 4.0 billion.
- Increased net income driven by continued profitable business growth, primarily in property and credit.

0.6%
(6.8% 2013)

945m
(USD 521m 2013)
Gross cash generation

- Excellent gross cash generation driven by management actions.
- Admin Re® enters into a transaction with HSBC to acquire over 400 000 individual and group pension and related annuity policies, as well as GBP 4.2 billion in unit-linked assets from HSBC Life (UK) Limited.
- Admin Re® sells US Aurora block of business, releasing capital and continuing exit from US market.

10.5%
(13.7% 2013)

- Target capital structure on track and Group capitalisation very strong across all metrics.
- Business performance and strong balance sheet to support proposed regular dividend, special dividend and public share buy-back programme.

Fresh perspectives

The issues before us require fresh perspectives, open minds and courageous solutions.



“Our business has never been in a better position to deliver on the promise of supporting economic progress.”

Dear shareholders,

Even before 2014 was over, it was clear that the year would be remembered as one of ‘war, terror and epidemic.’ Unfortunately there’s some justification for that. Still, I wonder if this misses some of the bigger forces at work. Extremists and extreme cases are simply that — extreme. However, I’ve been with Swiss Re for 24 years and on its Board of Directors for the last 17. And looking at 2014 from that perspective, I can say that the overall outlook is mixed but not all bad. Indeed there are some tough problems to solve, but there are also many bright spots. The key in my view is to always stay focused and not lose sight of the overall picture. See the challenges as well as the opportunities — opportunities which Group CEO Michel Liès and the Executive Committee are in good position to seize.

The new normal is getting old

After the financial crisis, central banks did a commendable job of contributing to the stabilisation of financial markets and restoring confidence. Yet seven years later, the crisis response has almost become the norm. Interest rates remain at historically low levels, as does inflation. I am convinced that this still remains the single biggest threat to our industry.

Low interest rates are, however, not only an issue for the financial services industry. Low rates represent a de facto tax on all savers and result in low government funding costs which, coincidentally, make it easier to delay hard public policy decisions. Low interest rates also threaten to distort financial markets in important ways, such as by affecting the supply of capital for investments. Leaders in both the public and private sector need to address the problem underlying historically low interest rates, which is clearly low economic growth.

What is Swiss Re's ongoing strategic response?

The longer the low interest rate environment lasts, the more it erodes the running investment income from our very large asset base and depresses gross margins, in particular in the Life & Health Reinsurance segment, but also in Property & Casualty. Swiss Re's response has been to maintain historically high margins from underwriting also for 2014. This combined with exceptionally low losses from natural disasters has allowed Reinsurance CEO Christian Mumenthaler and his team at P&C Re to produce another outstanding year in 2014.

We all have read a lot about alternative capital forcing its way into reinsurance and trying to substitute for traditional reinsurance. I do not think that Swiss Re is particularly vulnerable to such market forces and that the market available to us remains as large as it ever was. It is our strategy to maintain a global footprint and to do business virtually in all countries open to us, to maintain long-standing relationships with our thousands of clients, to diversify the distribution channels and not be dependent on a small number of intermediaries. We want to differentiate our offering to clients by adding value through sharing expert knowledge and our high credit quality.

In addition, we also experience once again a time where large insurance companies retain larger shares of their business and reduce cessions to the reinsurance market. With our Business Unit Corporate Solutions we underwrite risks of large non-insurance corporates and their captive insurance companies directly. For our globally diversified book of large risks we need access to such risks on a continuous basis and cannot depend entirely on the short-term reinsurance programmes of a small number of global insurers. Agostino Galvagni, our CEO in Corporate Solutions, has achieved a lot with his team: he has grown the business significantly over the past few years, has maintained strong underwriting standards at the same time, and has expanded the Unit's global footprint, staff and business infrastructure. Corporate Solution's contribution is growing and gives us strategic flexibility.

But back to Life & Health Reinsurance

As mentioned, Life & Health Reinsurance is suffering most from the low interest environment: some of this pain is due to accounting effects as the ever-lower rates produce significant unrealised capital gains in the equity of the segment which in turn make it very difficult to achieve a high ROE.

In the case of Swiss Re we also had some homemade problems in our very large in-force life books from contracts going back 10 years or more. In 2013 we committed to our shareholders that we would fix the issues with these long-running contracts in cooperation with our clients. Together with her team, that is what Alison Martin, the Head of Business Management in this segment, has achieved. This largely explains the partial revaluation of contracts in our in-force life book that burdened the 2014 results, which in turn, however, eliminates a drag on our future results in the segment. We are optimistic about future returns in Life & Health.

Where is the growth?

Several years ago we pointed out to you that the company will experience a shift of business gravity towards emerging markets, in particular Asia. This process is well underway and those in charge of all segments are continuously refocusing their efforts. By the end of this year, we expect 25% of our premiums to be generated in High Growth Markets but only less than 20% of our present resources are deployed there. This will require ongoing attention by both Reinsurance and Corporate Solutions — less so for Admin Re® which is focused now on Europe — and will help to further diversify our sources of revenue. This is good for Swiss Re as we have built relationships in the new markets for many years.

Well diversified asset allocation

Guido Fürer, our Group Chief Investment Officer, is in charge of managing our portfolio investments along with his team. In addition, our Treasury Department manages our considerable cash position and the team under John Dacey, our Group Chief Strategy Officer and Chairman of Admin Re®, is managing our book of private equity and Principal Investments. I am very proud that the contribution to profits from our asset base remains significant despite the difficult investment environment. We are convinced that a well-diversified asset allocation is the safest way to achieve a good risk/return profile even in those circumstances.

We have been advocating one specific change that could mitigate some of the negative impacts while enhancing growth. Infrastructure investment should become a viable asset class for institutional investors like Swiss Re. This would give long-term investors some relief from the low yield environment and at the same time give a boost to the real economy.

Regardless of whether the goal with infrastructure investment can be achieved, ultra-low interest rates can't go on indefinitely. Sooner or later policymakers will have to let go of the support and address the hard business of structural reforms.

As I write this, we are just a few weeks past the Swiss National Bank's decision to end the Franc's minimum exchange rate against the euro. Shortly after that the ECB announced its own multi-billion euro agenda of quantitative easing. While these decisions have little impact on Swiss Re itself given our natural hedge of keeping premium and liabilities in the same currency, it is likely to have an impact on the overall Swiss economy. And the experienced volatility in the markets gives us a bit of a hint how disruptive a shift away from the ultra accommodative monetary policy might be if and when it comes.

Some words about capital, dividend and share buy-back

Our core business is to enable risk-taking. And economic growth depends on exactly that: on risk-taking. We provide confidence and counsel for economic activity to proceed despite uncertainties such as climate change, or new developments like the digital revolution. However, our business has never been in a better position to deliver on the promise of supporting economic progress — despite a softening market environment. Our solid 2014 results confirm just that.

Risk-taking, however, requires a solid base of risk capital exactly for the moment when you have to be able to fund and digest large losses and that moment will come, it always does and it is our business. Our target capital structure is designed to achieve exactly that.

However, over the past few years the frequency and severity of large losses was below expectation, which in turn led to higher profits. For the company it was and still is difficult to find attractive opportunities to reinvest all of this additionally available capital in new insurance risks at returns in excess of our hurdle rates. We extensively used the tool of extraordinary capital repayments, which are tax advantageous particularly for Swiss retail shareholders. And we propose to do this again this year. Then, unfortunately, these reserves are exhausted. As we of course hope that the benign loss trend will continue we propose to establish a share buy-back programme for the next twelve months which we will use to achieve a similar objective: to repatriate capital that we cannot reinvest in the business at our hurdle rates.

There is however another reason that speaks for buying our own shares. Whilst over the past few years the economic value (according to our Economic Value Management (EVM) framework which assesses assets and liabilities on a true economic basis) was close to the market value, we have now seen for some time a trend of economic value significantly exceeding the market value. It makes therefore a lot of sense for the company to invest in its own shares and benefit from the discount. I hope you will support these capital motions at the upcoming AGM.

The year ahead is bound to be at least equally challenging but Swiss Re is very well positioned. The Board of Directors and I would like to thank all our employees for making this possible and giving us the confidence to meet the numerous opportunities and challenges with optimism — as we are committed to continue delivering shareholder value to you.

Thank you for your trust, loyalty and continuous support.

Zurich, 19 February 2015



Walter B. Kielholz
Chairman of the Board of Directors

4.25

**Proposed regular dividend
in CHF for 2014***

(CHF 3.85 in 2013)

3.00

**Proposed special dividend
in CHF for 2014***

(CHF 4.15 in 2013)

* Swiss withholding tax exempt distribution out of legal reserves from capital contributions.

Achieving our strategic goals

Now in even stronger position to reach our 2011–2015 financial targets.



“In an increasingly global and interconnected environment, we are well positioned to capture opportunities the market offers.”

Dear shareholders,

As we start into the last year of our five-year financial target period, we can look back at 2014 as a successful year. Even though we've had other strong earnings years over this period, 2014 stands out. Why? These results were generated in a much more challenging environment. We maintained our underwriting discipline and could — as shown — actively differentiate ourselves via our services and our knowledge. In addition, we decisively addressed problematic areas in our Life & Health business and took important steps to ensure our future success.

Strong P&C underwriting drives net income

Our Group's full-year net income was USD 3.5 billion. Property & Casualty Reinsurance remains our strongest earnings pillar. Our 2014 results in this segment were strong, with net income of USD 3.6 billion, or 10% above 2013. Successful underwriting, reserve releases and benign natural catastrophe levels drove this strong result.

If you follow the industry closely, you will know that capital in various forms in the reinsurance market is abundant these days. That fact underlines the significance of our strong 2014 performance and demonstrates that we go beyond providing pure capacity. Our success lies in putting Swiss Re's expertise and capital strength to work in solving problems together with our clients. We continue to innovate in traditional areas such as natural catastrophe and liability lines and are active in game-changing, long-term developments such as big data and cyber-risk. This means, looking ahead,

that we will stay committed to delivering continued profitability through disciplined underwriting and a systematic allocation of capital to risk portfolios.

An area that we believe has turned a corner in 2014 is Life & Health Reinsurance. The segment delivered a net loss of USD 462 million for 2014. This negative bottom-line result was in large part a clear reflection of the decisive actions we took to enhance profitability going forward. Over the last two years we identified and analysed, in close collaboration with our clients, the problematic pre-2004 life business in the US. The problems had to do with underperforming yearly renewable term business in which the under-performance was expected to continue. This year we actively addressed these issues with the clients concerned. The other action we took was to unwind the asset funding structure supporting a longevity transaction. Our aim is to arrive at a more sustainable solution for all. I'm pleased to report that the outcomes of both, as negative as they look today, are ultimately positive for clients, for Swiss Re, and especially for you, our shareholders and they enhance the sustainability of our business long-term. These measures were also essential to keep us on track to achieve the target of 10%–12% return on equity for Life & Health by the end of 2015. Life & Health continues to be an attractive business with great growth potential in both mature and developing markets.

Corporate Solutions continued to deliver profitable growth, with net income of USD 319 million and an annual increase in net earned premiums of 18%. Two developments in 2014 will support expansion into high growth markets. The acquisition of Sun Alliance Insurance in China — once approved by the regulator — will enable us to offer corporate insurance directly from mainland China. In Latin America, we acquired 51% ownership of Colombian insurer Confianza, providing us with another foothold in the region in addition to our offices in Mexico and Brazil.

Admin Re[®] had a good year as well. The unit walked the talk and continued on its path to exit the US market, as evidenced by the sale of the Aurora block of business in the US in October 2014. The sale has a one-time negative impact on our bottom line, but it supports our vision to redeploy capital to areas where we see growth opportunities and attractive shareholder returns.

Finding solutions — together

I hope you share my confidence in our company. In an increasingly global and interconnected environment, we are well positioned to capture opportunities the market offers. We are equally well positioned to rise to meet challenges such as the abundance of capital or the more over-arching challenges of climate change and the insurance protection gap. Our differentiated position, our strong capitalisation, our disciplined underwriting and, last but far from least, our strong client relationships are all the foundation of Swiss Re's profitability. They are the key to our sustainability and, therefore, to Swiss Re generating long-term shareholder value.

With our focus on sustainability it was a particular pleasure that Swiss Re was again named as the insurance sector leader in the 2014 Dow Jones Sustainability Indices, showcasing that sustainability is built into all facets of our management approach.

All these achievements wouldn't be possible if we didn't have the right talent and employees. Please join me in thanking them for their hard work, great engagement and strong 2014 results. Our people are the reason we have a seat at the table with our clients, brokers and business partners. They are also the force for delivering shareholder value to you.

I'd also like to take the opportunity to thank you, dear shareholders, for your confidence in Swiss Re and your trust in us as we continue to plan our way forward. One important step is the introduction of two financial targets which will guide us as of 2016 and beyond. They are chosen to continue to focus our efforts on profitability and economic growth and will provide you with the right metrics to measure our success.

Zurich, 19 February 2015

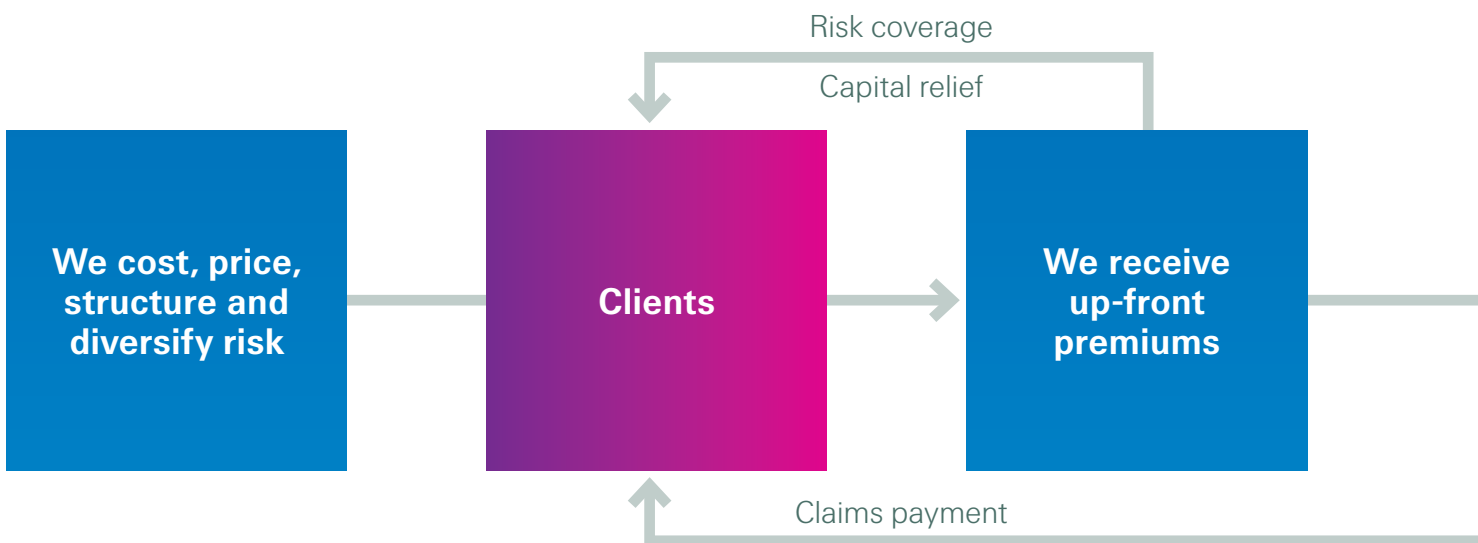


Michel M. Liès
Group Chief Executive Officer

How we operate

Swiss Re is a knowledge company. We apply that knowledge to help clients, shareholders and society.

MARKET FORCES		
<p>A changing world of risk Competitive re/insurers must find ways to do business in a changing risk landscape.</p>	<p>New markets, new clients The fastest-growing insurance markets are emerging markets. Clients in these markets often have specialised knowledge and specialised needs.</p>	<p>Alternative capital Pensions, hedge funds and other non-traditional sources are supplying funds to cover insurance risk, especially natural catastrophes.</p>



OUR APPROACH AND WHY		
<p>A knowledge company We're taking the lead in developing techniques to estimate losses in changing or even unknown areas of practice, and sharing the benefits of that knowledge with our clients.</p>	<p>Building ties We're making substantial investments on the ground to make sure Swiss Re continues to be a well-known, accessible partner for developing re/insurance solutions in our targeted high growth markets.</p>	<p>A resilient business model Our clients look to us as more than simply a provider of capacity. We work together with our clients to understand their needs, then develop solutions that capitalise on our more than 150 years of expertise.</p>

Low interest rates

Persistently low interest rates are a challenge to the re/insurance sector, especially where business is long-term in nature, like life businesses.

Shifting risk burdens

Economic growth and demographic changes are putting more assets and lives at risk of natural catastrophes. Governments are often hard-pressed to deal with the consequences.

A broad insurance gap

The gap between economic losses and insured losses after a catastrophe remains unacceptably high.

We invest until money is needed

We compensate for losses

Profit

- Grow regular dividends with long-term earnings
- Business growth where it makes sense

Offering fresh perspectives

We are reaching out to peers and policymakers to show how re/insurers can better meet the challenge of low interest rates while supporting economic growth by investing in infrastructure.

Protecting societies

We are constantly looking for constructive, sustainable ways to expand the reach of re/insurance, for example through our Global Partnerships business.

Innovating to make more resilient societies

We continue to work with clients and partners to expand the reach of the re/insurance solution and to raise awareness about its importance.

Financial targets

We delivered a strong net income in 2014 while moving one step closer to achieving our 2011–2015 financial targets.

2011–2015 FINANCIAL TARGETS

Achieving our 2011–2015 financial targets is our top priority. In 2014 we continued to remain on track.

Given our 2014 business performance and strong capital position, Swiss Re’s Board of Directors will propose a dividend of CHF 4.25 per share, a special dividend of CHF 3.00 per share and a public share buy-back programme of up to CHF 1.0 billion totalling approximately USD 3.7 billion in capital returned to shareholders.

OUR NEXT FINANCIAL TARGETS

Looking at 2016 and beyond, we will remain committed to a strong capital position. We have introduced two financial targets for the Group that will begin in 2016, focusing on profitability and economic growth.

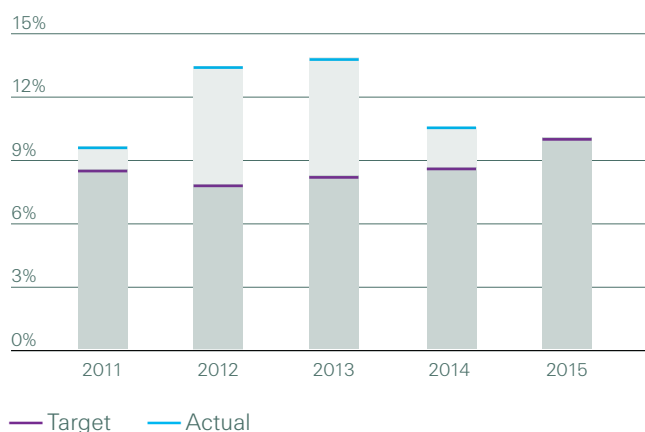
The first is to deliver a return on equity of 700 basis points above risk-free (as measured by 10-year US Treasury bonds) over the cycle. Management will continue to monitor a basket of interest rates reflecting our business mix.

The second target is to grow economic net worth (ENW) per share by 10% per year, also over the cycle.

This timeframe provides a long-term aspiration without being distorted by individual outlying results.

RETURN ON EQUITY (2014)

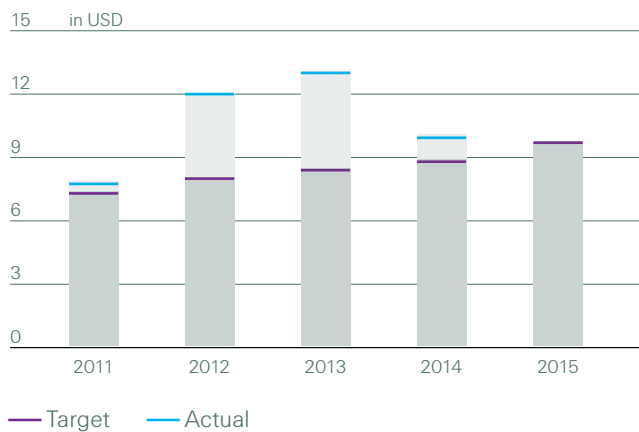
10.5%



We aim to deliver a return on equity that is at least 700 basis points higher than the risk-free rate. We use US government five-year treasury bonds to measure the risk-free rate. The average rate of return for those bonds over 2011–2014 has been 1.3%; our reported return on equity has been on average 1054 basis points above this risk-free average over the same period.

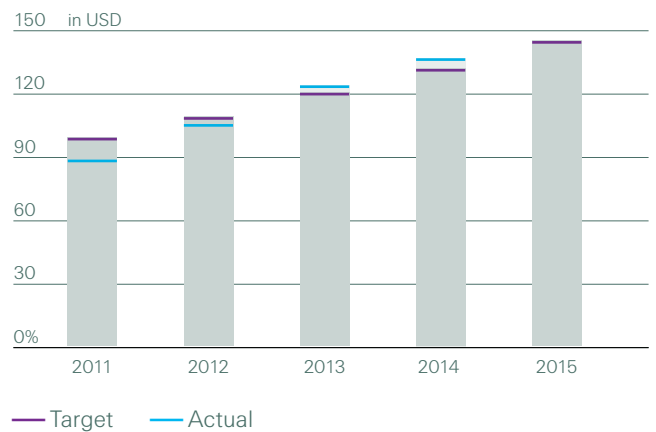
EARNINGS PER SHARE
(USD, 2014)

10.23



ECONOMIC NET WORTH
PER SHARE GROWTH
PLUS DIVIDEND (2014)

10.1%



We seek to grow earnings per share by an average of 10% per year over the target period. For our baseline reference we use 2010 earnings, excluding all impacts related to a convertible perpetual capital instrument which was repaid in 2011. We have also factored in special dividends, for example adjusting the 2014 growth rate to account for the special dividend of CHF 4.15 per share paid in April 2014. Taking the latest earnings per share of USD 10.23 in 2014 and using 2010 adjusted earnings per share of USD 6.62 as our baseline, the compound annual growth rate for earnings per share over the target period comes to 11.6%.

This target measures our performance using economic net worth, a figure generated by applying our own Economic Value Management framework (see page 55 for details). We aim to increase economic net worth per share by an average of 10% per year over the target period. The growth rate counts regular and special dividends paid over the period. The average compound annual growth rate of economic net worth per share plus dividends is now 10.9% over the period 2011–2014.

Financial year

Swiss Re delivered a strong net income of USD 3.5 billion, with all Business Units achieving strategic goals.

Overall, global economic growth was moderate and re/insurance market conditions remained challenging.

Market environment	16
Group strategy	24
Group results	26
Group investments	28
Summary financial statements	32
Reinsurance	34
Corporate Solutions	40
Admin Re [®]	44
Share performance	46

Market environment

Global growth in 2014 improved but remained moderate. Benchmark government bond yields declined again while stock markets continued to perform well, supported by expansionary monetary policies.

The global economy and financial markets

Global economic growth accelerated in 2014 but remained uneven across different regions. Monetary policies of the major central banks started to diverge: the US Federal Reserve (US Fed) began winding down its asset purchases while the European Central Bank (ECB) and the Bank of Japan (BoJ) announced additional stimulus measures. Benchmark government bond yields declined while stock markets continued to perform well.

After a weak first quarter due to adverse weather conditions, the US economy continued to expand at a solid pace and unemployment declined significantly. Growth of the UK economy picked up strongly, particularly in the first half of the year. By contrast, economic activity in the Eurozone remained modest and weakened significantly in the second quarter as Germany's economy contracted. While economic performance in France and Italy was disappointing, Spain, Portugal and Ireland performed surprisingly well. Nevertheless, unemployment remained very high in those European economies most

affected by the financial crisis. After rapid growth in the first quarter, the Japanese economy contracted sharply in the subsequent two quarters, following a sales tax hike in April.

Inflation declined in many economies, in part driven by the sharp drop in oil prices in the second half of the year. Inflation in the Eurozone was particularly weak, stoking fears of deflation. By contrast, Japanese inflation jumped as a consequence of the sales tax hike (see economic indicators table).

Economic performance in emerging markets also varied. Growth in emerging Asia remained fairly strong and steady even though economic indicators for the Chinese economy weakened on the back of a deepening housing market correction. Nevertheless, targeted fiscal and monetary stimulus measures helped sustain Chinese growth at 7.4%. In India, business and consumer sentiment improved significantly on expectations of a strong push toward economic reform and liberalisation. Growth in most Sub-Saharan African economies remained strong. The Republic of South

Africa is an exception, with extended strikes in the mining sector and electricity bottlenecks limiting growth. Growth in the Middle East and North Africa remained relatively subdued due to lower oil production and political uncertainty. In Latin America, growth slowed in the face of deteriorating terms of trade and less favourable external financing conditions. Growth in Central and Eastern European economies also slowed in 2014. In particular, the Russian economy weakened significantly while inflation rose rapidly, in part driven by the depreciating rouble.

interest rates twice, bringing the deposit rate below zero. In addition, the ECB adopted various unconventional measures, including the provision of long-term funding to banks to boost bank lending as well as purchases of covered bonds and asset-backed securities. The Chinese central bank lowered interest rates in November while some other emerging market central banks (eg Russia, Brazil and India) increased rates to stem the rise in inflation and prevent capital outflows.

Benchmark government bond yields dropped again after having increased in 2013 (see interest rate chart). The decline in German yields was particularly pronounced, driven by lower expectations for growth and inflation and the ECB's additional easing measures. The German 10-year Bund yield was 0.5% at the end of 2014, down from 1.9% a year earlier. US and UK yields declined from 3.0% to 2.2% and 1.8% respectively and Japanese yields decreased from 0.7% to 0.3%.

0.5%

German 10-year Bund yield
(1.9% in 2013)

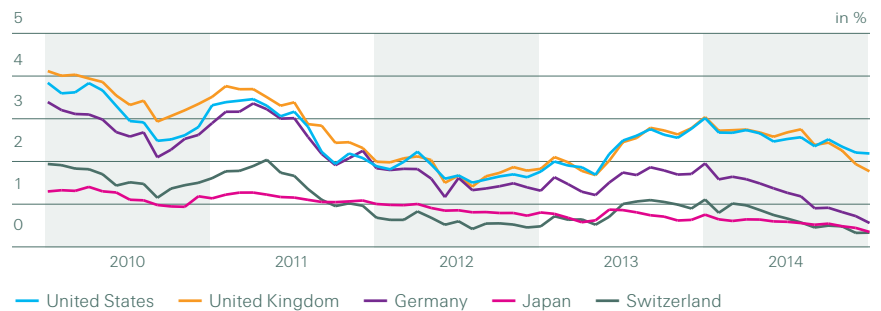
7.4%

China GDP growth, 2014 (est.)
(7.7% in 2013)

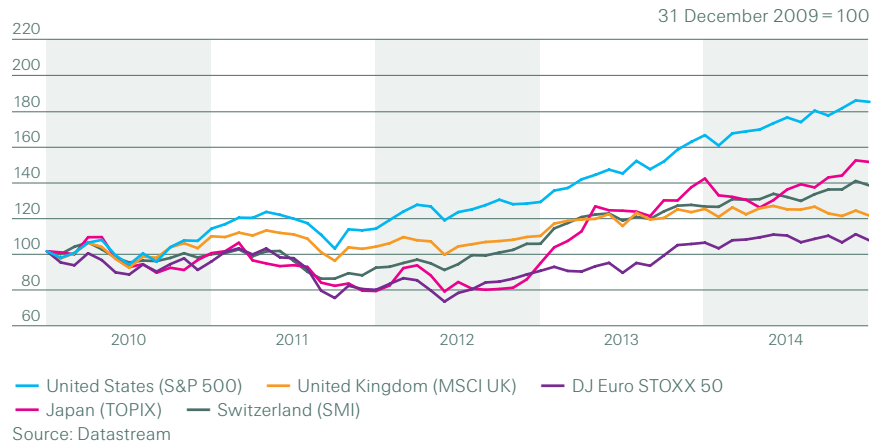
Interest rates

The uneven economic performance across regions led to diverging monetary policies by the major central banks. Whereas the US Fed gradually phased out its asset purchases ("quantitative easing", or "QE"), the BoJ decided to ratchet up its own QE programme in October to boost the faltering Japanese economy. The ECB also continued to ease monetary policy by lowering

Interest rates for ten-year government bonds 2010–2014



Stock markets 2010–2014



Stock market performance

Global stock markets continued to perform well in 2014 although market volatility increased in the second half of the year. In addition to disappointing economic indicators out of China and the Eurozone, political risks also contributed to the increase in risk aversion. The conflict between Russia and Ukraine, instability in Iraq and Syria, the selective technical default of Argentina, the Ebola outbreak in some African countries as well as the Scottish independence referendum all led to political uncertainty. Most major markets ended the year in positive territory with the US S&P 500 up 11%, the Swiss Market Index 10%, the Japanese TOPIX 7% and the Eurostoxx 50 1%. The MSCI UK declined by 3% (see stock markets chart).

Currency movements

The ECB's and the BoJ's monetary easing weakened the euro and the yen in the second half of the year. Other currencies also weakened against the US dollar, driven by diverging expectations of central bank policies. The yen and the euro ended the year down 12%, the Swiss franc 10% and the UK pound 6% vs the US dollar.

Economic risks affecting re/insurers

Despite improvements in many economies in 2014, there remain plenty of risks that could derail global growth and adversely impact financial markets and re/insurers. In the Eurozone, reform fatigue may lead to a prolonged period of stagnation and deflation. In this environment, populist parties in favour

Economic indicators 2013–2014

	USA		Eurozone		UK		Japan		China	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Real GDP growth ¹	2.2	2.4	-0.4	0.8	1.7	2.6	1.6	0.3	7.7	7.4
Inflation ¹	1.5	1.5	1.4	0.4	2.6	1.5	0.4	2.7	2.6	2.0
Long-term interest rate ²	3.0	2.2	1.9	0.5	3.0	1.8	0.7	0.3	4.6	3.6
USD exchange rate ^{2,3}	-	-	138	121	166	156	0.95	0.83	16.5	16.1

¹ Yearly average

² Year-end

³ USD per 100 units of foreign currency

Source: Swiss Re Economic Research & Consulting, Datastream, CEIC

of extreme policies, such as a country's exit from the Eurozone, may gain power, which could trigger financial market turbulence. Also, risks to growth in China are tilted to the downside. The main risk stems from a sharp housing market correction. The property sector is highly leveraged and credit quality is deteriorating. Defaults in real estate-related "shadow-banking" products could bring big problems to China's financial system. There are also concerns that the expected monetary policy normalisation by the US Fed could negatively impact emerging markets via capital outflows. Many economies have solid fundamentals and have taken corrective actions, such as allowing currency depreciation or tightening monetary policy, to weather the storm.

Nevertheless, a few countries may still be vulnerable. Finally, an escalation of the conflict between Russia and Ukraine has the potential to derail European growth should there be significant disruptions to oil and gas supplies.

These risks would affect re/insurers mainly via adverse asset price reactions and slower growth potential in the affected markets. In addition, a "flight to quality" could lead to a drop in interest rates and exacerbate the challenges from the current low yield environment.

How do interest rates affect the re/insurance industry?

Policy rates of the major central banks have been close to zero for about six years and long-term bond yields have declined significantly. Corporate bond yields have also decreased, restraining investment yields for investors, including re/insurers (for our view on measures that could improve the investment climate for long-term investors, see page 30).

Although the current low-yield environment affects all re/insurers, some lines of business are more vulnerable than others. Interest rates have the largest impact on long-term business where investment income is a major source of earnings. In non-life insurance, however, the interest rate

risk in long-tail business (such as casualty) can be contained through prudent asset-liability management. On the life insurance side, savings products, particularly those containing fixed guarantees, are the most exposed to interest rate risk. Hard-to-predict policyholder behaviour, such as lapses, makes it difficult for insurers to project their cash flows, thus complicating their asset-liability management. Life reinsurers tend to be less sensitive to interest rate risk than primary life insurers because they typically have little savings business.

There is considerable uncertainty as to when central banks will start raising rates. While there is broad agreement

that neither the ECB nor the BoJ will tighten monetary policy anytime soon, many expect the first rate hikes by the US Fed and the Bank of England in 2015 as improving economies are supposed to lead to gradually rising wage pressures. Nevertheless, there will be no quick relief for re/insurers. On the contrary, portfolio yields are likely to decline further for some time because the principal from maturing bonds with higher yields and new cash flows can only be invested at lower yields. One implication of the low-interest rate environment is clear — expert and disciplined underwriting will remain a key driver of performance in the sector.

PRIMARY NON-LIFE

2100

Market size in USD billions

Estimated global premium income in 2014

2%

Market performance

Estimated global premium growth in 2014

Market overview

The global non-life industry generated around USD 2 100 billion of premium income in 2014, of which 18% came from emerging markets. Non-life insurance extends from standardised motor and household insurance to sophisticated tailor-made liability and property covers, including specialty commercial and industrial risk insurance.

Market performance

Global non-life insurance premiums grew at a 2% pace in real terms in 2014, down from 3% in 2013. In advanced markets, premium growth slowed to 1.4% from 1.6% in 2013, due mainly to weaker markets in the US and Canada. Western Europe had some strengthening based on moderate rate increases in Germany, France and the UK. In southern Europe, however, premium income fell significantly. This is in large part due to shrinking demand for motor insurance, with car sales at multi-year lows in some countries.

Premium growth in the emerging markets also slowed significantly compared to 2013. Premiums were up 5% in 2014, down from a 9% gain in 2012 and 2013. The deceleration is partially due to the economic slowdown in many export-dependent countries in Southeast Asia and Central and Eastern Europe (CEE). That said, in China non-life premiums rose by about 15% based on new car sales and infrastructure investments. In keeping with the other emerging regions, premiums in Latin America, Africa and the Middle East are also estimated to have been weaker in 2014 than in 2013.

Underwriting profitability improved slightly in Western Europe and deteriorated slightly in the US in 2014, based on preliminary data covering the first half year. In the US, the positive impact of moderate rate increases was more than offset by slightly higher catastrophe and non-catastrophe losses and lower reserve releases. The combined ratio for the industry was 99% in the first half of 2014 compared to 97% in

the same period of 2013. Reserve releases continued to support underwriting profitability in the first half of 2014 but at a lower rate than in 2013.

Underwriting profitability in Europe improved in the first half of 2014 compared to the same period in 2013, with the average combined ratio below 95%. Most notably, there was a significant and broad-based improvement in Germany, driven by low natural catastrophe losses (whereas 2013 was impacted by severe floods and hailstorms) and better underwriting results in casualty insurance. In France, Spain, Italy and the UK, combined ratios were stable to slightly improving.

The investment environment remains challenging: after a short-lived recovery in 2013, government bond yields began to slip again this year. This has dashed hopes of an improvement in investment returns, which instead are expected to remain subdued for a while, thus limiting non-life insurers' operating profitability. Overall industry profitability declined in 2014, with return on equity (ROE) estimated to be about 7%, down from 8.4% in 2013.

Outlook

Global economic growth forecasts for 2015 are more positive and demand for non-life insurance should increase. The emerging markets are expected to be the main driver. Premium growth in advanced markets is expected to slow slightly as the current cycle of moderate rate improvements loses steam along with only slight improvement in macroeconomic conditions.

REINSURANCE NON-LIFE

190

Market size in USD billions

Estimated global premium income in 2014

3%

Market performance

Estimated global premium growth in 2014

Market overview

Global non-life reinsurance premiums in 2014 totalled about USD 190 billion, 25% of which were from ceding companies in emerging markets. In general, reinsurance demand is a function of the size and capital resources of primary insurance companies, as well as of the risk profile of the underlying insurance products.

Market performance

Real growth in the non-life reinsurance industry improved to 3% in 2014, from 1.8% in 2013. The increase was largely driven by large quota-share motor treaties from China, while growth in other emerging markets weakened alongside the slow-down in primary insurance growth. In advanced markets, premiums declined slightly due to weak reinsurance demand and softer reinsurance rates.

Nonetheless, the non-life reinsurance industry posted strong underwriting results during the first three quarters of 2014. Based on preliminary data, the reinsurance industry is expected to report a combined ratio of around 90% for 2014, reflecting lower than anticipated large natural catastrophe losses and significant reserve releases. Excluding the impact of those two windfall factors, the estimated combined ratio is around 98%.

Claims burden from large natural catastrophes losses were low in 2014, amounting to USD 35 billion. The largest natural catastrophe losses were a thunderstorm and hail event in the US in May, which caused USD 2.9 billion in insured losses, Storm Ela resulting in combined insured losses of USD 2.4 billion across France, Germany and Belgium, and a USD 2.5 billion snow storm in Japan in February. Losses from main risk categories such as earthquakes, North Atlantic hurricanes, and European winter storms were exceptionally low.

The reinsurance industry's capital base remains strong. In addition, so-called alternative capacity grew further, totalling around USD 60 billion at the end of 2014, which is about 15% of the global property catastrophe market. Because pricing has been softening and traditional capital has been growing rapidly, reinsurers have stepped up their capital management efforts by increasing dividend payments and intensifying share buy-back programmes. This will decrease capital and is expected to help stabilise prices for natural catastrophe and other reinsurance covers.

Outlook

Real premium growth in the non-life reinsurance sector is expected to be weak in 2015. Advanced markets will be impacted by the current softening of rates, leading to stagnating premiums in 2015. Premium growth in emerging markets overall will be heavily influenced by developments in China. After this year's increase of reinsurance cessions due to large quota share motor treaties, premium volumes in China are expected to drop back to normal levels in 2015. Excluding China, emerging markets are expected to have improving real premium growth rates of 5% for 2015.

PRIMARY LIFE

2 600

Market size in USD billions

Estimated global premium income in 2014

5%

Market Performance

Estimated global premium growth in 2014

Market overview

The global life insurance industry generated about USD 2 600 billion in premium income in 2014, of which 16% came from emerging markets. About 85% of premium income in life insurance derives from savings and retirement products. The share attributable to protection business, which covers mortality and morbidity risks, has been declining.

Market performance

Global life insurance premium income rose by 5% in real terms in 2014. In advanced markets, real premium income grew by 4% this year, with strong gains in Western Europe, Canada, Australia and Japan. In the US, premium income has rebounded following a dip in 2013. In emerging markets, premium income has risen by 9%. Growth has been strongest in the emerging Asian countries (up 13%). In China, premiums have increased by 16% and in India, premiums are up 6% after four years of contraction and stagnation. Premiums rose below long-term average in Latin America and Africa. In CEE, premiums were down 1.7%, led by a decline of single premium business in Poland.

Life insurance is a long-term business and new business is an important contributor to industry growth. New business in seven major markets, representing 61% of global premium income, increased by more than 5% in 2014 (after inflation), following a 1.5% decline in 2013. The increase has been driven by strong sales in the savings business. Protection products, which normally exhibit more stable demand than savings business, were weak in a number of leading markets. In the US, sales of term insurance products fell 3% in the first half of 2014 and sales of disability and long-term care insurance have weakened also. In Canada, term sales were slightly lower (down 1%) in the first half of 2014 following a year of solid growth in 2013. In the UK, protection premiums declined by 2% in the first half of 2014 compared with the same period a year ago. In Germany, term sales were down 2% in

the first three quarters of the year, while sales of disability products have been flat. Long-term care insurance had a sharp decline of 20% (the first-ever decline in this line of business). In Italy, on the other hand, protection sales increased by around 3%.

Profitability in life insurance has improved since mid-2013, and ROE now stands at around 12%. The improvement has been largely driven by sharply stronger profitability for UK insurers, although North American and European insurers' profitability has also picked up recently. Positive stock market developments and stronger premium growth, along with cost containment and in some cases gains from derivative positions reflecting a decline in interest rates (eg, in the US), have been the main drivers of the strengthening trend.

Life insurers' balance sheets remain solid as companies continue to de-risk and asset impairments have moderated as a result of stronger credit and equity markets.

Outlook

Premium income levels will continue to grow in 2015, in both the advanced and emerging markets. However, with slow economic growth, low interest rates, volatile financial markets and regulatory changes, the medium-term outlook will likely remain challenging. Rating agencies have downgraded many insurers in the troubled Southern Eurozone countries and changed the outlook to negative for a number of European, US and Canadian companies as well.

70

Market size in USD billions

Estimated global premium income in 2014

3%

Market performance

Estimated global premium growth in 2014

Market overview

The size of the global life & health reinsurance business was around USD 70 billion in 2014, of which about 80% come from the US, Canada and the UK. Ceding companies from emerging markets accounted for 6% of global demand. Life reinsurers are increasingly diversifying away from traditional mortality business.

Market performance

The life & health reinsurance industry registered an inflation-adjusted increase in premium income of around 3% in 2014. Life reinsurance is still mostly linked to the relatively stable protection business. Yet in 2014 volumes were fuelled by increasing demand for non-traditional reinsurance transactions in various forms. Momentum in the market for longevity risk transfer remains strong, with a record high amount of longevity liabilities transferred or protected via longevity reinsurance and swap transactions in 2014. The market is traditionally most active in the UK. There have also been transactions with Australian, Canadian and French insurers. The US has an active market for pension buy-outs and several large deals have been completed in 2014.

Global premiums from traditional life reinsurance consisting of mortality and morbidity were up slightly in 2014. In advanced markets, a 3.7% decline in premiums in the US due to declining cession rates and weak protection sales was offset by more positive developments in the UK and the large continental European markets. In the emerging markets, premiums stagnated due to negative developments in CEE and Latin America.

Operating margins in the life reinsurance industry improved to 7% of net earned premiums in 2014, compared to 5% the year before. The underwriting side registered normal results after 2013, which was impacted by strengthening of claims reserves in Australian group disability business after strongly rising claims trends. On the investment side, the low interest rate environment leads to declining returns, lowering the profit contribution of investments.

Outlook

Traditional life reinsurance is expected to continue to stagnate in the next few years, driven by ongoing contraction of this segment in the US and UK, while other advanced markets will record moderate growth in line with the growth of protection business on the primary side. In emerging markets, life reinsurance is expected to increase by about 6%–7%. In these markets, life reinsurers' main value proposition will be to support primary insurance in product development, underwriting and claims management. In addition, a number of primary life insurers will require capital solutions and other forms of non-traditional reinsurance.

Group strategy

A strategy to become the leading player in the wholesale re/insurance industry.

Swiss Re delivered strong results in 2014 and remains well on track to meet its 2011–2015 financial targets. We aim to outperform our peers in Reinsurance and Admin Re®, and through our balanced asset management approach. We also aim to achieve smart expansion in Corporate Solutions, in high growth markets and in longevity and health. This strategy has been successful and remains unchanged. In 2015 our Business Units will be approaching opportunities and market conditions as follows:

Property & Casualty Reinsurance

We believe that maintaining a diversified portfolio of growth opportunities and differentiating our knowledge and services are key to success for Property & Casualty Reinsurance in the current market environment. We aim to maintain earnings quality through disciplined underwriting and superior service. Our product offerings go beyond pure capacity, with customised solutions that complement traditional reinsurance. We have the expertise, knowledge and services to meet the increased demand for innovative and tailored solutions and we are well positioned to support clients in both developed and high growth markets.

Life & Health Reinsurance

Despite challenging market conditions for Life & Health Reinsurance, we also recognise that it is a knowledge- and service-intensive business. Barriers to entry are high, and only a handful of relevant players work in the space. We will aim to use our superior tools and capabilities to capture an over-proportionate share of the life and health risk pools and outperform our competitors in terms of profitable growth. This will mainly be achieved through superior client services in traditional life; innovation and product development in health; know-how and capital strength in structured solutions and longevity transactions;

and finally through pro-active portfolio steering and capital management. We are committed to meeting the segment's 10%–12% return on equity target by 2015.

Corporate Solutions

Corporate Solutions' strategy is to serve mid-sized and large corporations. The product offerings range from traditional property and casualty insurance to highly customised solutions tailored to the needs of clients globally. In 2015, Corporate Solutions intends to expand its capabilities to act as a lead insurer in primary business programmes, to build on recent acquisitions in high growth markets and to maintain a selective underwriting approach. By executing this strategy, Corporate Solutions aims to continue on its successful growth path that started off in 2010.

Admin Re®

Admin Re® aims to enhance business profitability by leveraging its core competencies of selective growth, value extraction and operational excellence. Selective growth means pursuing opportunities to build and enhance the franchise through transactions that meet Swiss Re's Group investment criteria and hurdle rates. Value extraction relates to the active management of the portfolios of assets and blocks of businesses and a focus on consistently creating value through capital and tax synergies. Operational excellence involves continuous improvement of the scalable operating platform. It also means focusing on transformation and management actions, including business efficiency and cost reductions.

The Swiss Re Group

The priority for the Group is to allocate capital to risk pools that meet our strategic and financial targets. We are on track to implement our target capital structure. This structure reduces our cost of capital and optimises our financial flexibility.

We continue to look systematically for opportunities to deploy our capital through smart acquisitions while remaining committed to paying a strong and sustainable dividend. Reinsurance and Corporate Solutions can quickly deploy capital to correctly priced risk, as can Admin Re® within its specific focus. Acquisitions must meet our standards for economic rate of return and will be handled mainly through Principal Investments, which has a mandate to generate long-term economic value via investments in insurance-related businesses. Principal Investments is focused exclusively on the insurance sector, and especially on providing equity capital financing to primary insurers in high growth markets and complementing our reinsurance activities and generating long-term value for our shareholders.

Given our baseline of moderate global growth recovery and the start of US Fed policy normalisation in 2015, government bond yields are expected to move modestly higher from current levels. Swiss Re maintains a balanced investment portfolio with a focus on high-quality credit investments. We are focused on expert and disciplined underwriting, which will remain a key driver of performance in the sector.

Our ambition for 2015 will be to continue executing the current strategy and to successfully position the Group to meet the newly announced financial targets for 2016 and beyond.

STRATEGIC PRIORITIES

To focus on strategy execution across the Swiss Re Group.

ACTIONS AND PROGRESS IN 2014

- Strong performances across the Group support return on equity of 10.5% and earnings per share of USD 10.23.
- Consistent underwriting performance continues through disciplined underwriting and differentiation of knowledge and services.
- Continued expansion into high growth markets across Reinsurance, Corporate Solutions and Principal Investments.

PRIORITIES FOR 2015

- Meet our 2011–2015 financial targets.
- Maintain focus on underwriting discipline and productivity measures.
- Continue to shift capital and talent to high growth markets.
- Focus on differentiation to generate value for clients and shareholders.

To outperform our peers in property and casualty re/insurance businesses.

- Group combined ratio of 85.4%.
- Property & Casualty Reinsurance underwriting results remain strong; rebalancing portfolio through casualty expansion.
- Corporate Solutions continues profitable growth; strengthened presence in high growth markets; subordinated bond issuance.

- Provide differentiated solutions through unique client access and offerings.
- Maintain diversified portfolio and underwriting track record.
- In Corporate Solutions, build on recent acquisitions in high growth markets and maintain selective underwriting approach.

To perform in our life and health businesses.

- Effective implementation of in-force management actions, setting the foundation for future profitable growth.
- Admin Re[®] delivers excellent gross cash generation; strengthens UK franchise and continues exit of US business to extract capital.

- Meet return on equity target of 10%–12% in Life & Health Reinsurance (based on June 2013 equity base).
- Continue to grow new life business and further develop health opportunities.
- Pursue selective growth and operational excellence in Admin Re[®].

To deliver on performance and capital management priorities.

- Target capital structure on track and Group capitalisation very strong across all metrics.
- Business performance and strong balance sheet to support proposal of regular dividend, special dividend and share buy-back programme.

- Keep growing regular dividends and profitable business.
- Deploy capital at return that meets our strategic and financial targets.

Group results

Strong underwriting and strategic focus drove our Group's net income of USD 3.5 billion for 2014.



“Through our disciplined underwriting approach and active differentiation, Swiss Re generated strong earnings despite the challenging industry environment.”

Michel M. Liès

Group Chief Executive Officer

Swiss Re reported net income of USD 3.5 billion for 2014, compared to USD 4.4 billion for 2013. Earnings per share were USD 10.23 or CHF 9.33, compared to USD 12.97 (CHF 12.04) in 2013. Book value per common share increased to USD 101.78 or CHF 101.12 at the end of 2014 from USD 93.08 (CHF 82.76) twelve months earlier. The year was characterised by strong underwriting by Property & Casualty and Corporate Solutions, a series of previously announced management actions aimed at improving Life & Health's profitability going forward and a solid performance by Admin Re®.

Net income for Reinsurance was USD 3.1 billion in 2014, compared to USD 3.6 billion in 2013.

Property & Casualty Reinsurance contributed USD 3.6 billion, compared to USD 3.2 billion in the prior-year period. The increase was driven by strong underwriting results and supported by net reserve releases from prior accident years and benign natural catastrophe experience. Life & Health Reinsurance reported a loss of USD 462 million, compared to a profit of USD 420 million in 2013, mainly reflecting the impact from previously announced management actions addressing the pre-2004 US individual life business.

Corporate Solutions delivered net income of USD 319 million in 2014, compared to USD 279 million in 2013, reflecting continued profitable growth across most lines of business.

Admin Re[®] reported net income of USD 34 million for 2014, compared to USD 423 million for 2013. The 2014 result includes a loss of USD 203 million on the sale of Aurora National Life Assurance Company (Aurora). The 2013 result was supported by higher realised gains following the re-balancing of the investment portfolio and favourable investment market movements in the UK.

Common shareholders' equity, excluding non-controlling interests and the impact of contingent capital instruments, rose to USD 34.8 billion at the end of 2014 from USD 31.9 billion at the end of 2013. The increase reflected continued strong earnings and higher unrealised investment gains, partially offset by the 2013 regular and special dividends of USD 3.1 billion. Return on equity was 10.5% for 2014 compared to 13.7% for 2013.

Technical result

Premiums earned and fee income for the Group totalled USD 31.3 billion in 2014, compared to USD 28.8 billion in 2013. The increase reflected growth across all regions in both Reinsurance segments, driven by the USD 15.6 billion contribution from Property & Casualty Reinsurance, up from USD 14.5 billion in 2013, and USD 11.3 billion from Life & Health Reinsurance, compared to USD 10.0 billion in 2013. Corporate Solutions' premiums earned increased to USD 3.4 billion from USD 2.9 billion in 2013, reflecting continued successful organic growth across most business lines and across all regions.

The Property & Casualty Reinsurance combined ratio was 83.7% in 2014, compared to 83.8% in 2013. The strong results continued to be driven by good underwriting, favourable loss experience and positive prior accident year development.

The Corporate Solutions combined ratio was 93.0% and 95.1% in 2014 and 2013, respectively. The improvement year-on-year was mainly due to lower than expected natural catastrophe experience in 2014, partially offset by a larger number of man-made losses.

The operating margin for Life & Health Reinsurance was 2.6% in 2014, compared to 5.8% in 2013. The 2014 result reflects an impact of USD 623 million from the management actions addressing the pre-2004 US individual life business, while the 2013 result was impacted by reserve strengthening for group disability business in Australia.

Admin Re[®] generated gross cash of USD 945 million in 2014, compared to USD 521 million in 2013. The increase was mainly driven by the Aurora sale, the release of surplus reserves and favourable mortality and longevity experience.

Investment result and expenses

The return on investments was 3.7% for 2014, compared to 3.6% for 2013.

The Group's non-participating investment income was USD 4.1 billion in 2014, compared to USD 3.9 billion in 2013. The increase largely related to the re-balancing of the investment portfolio across the Group. The fixed income running yield for 2014 was 3.3%, compared to 3.2% for 2013.

The Group reported non-participating net realised investment gains of USD 567 million for 2014, compared to USD 766 million for 2013. The current year was driven by gains from active management of the listed equity portfolio, partially offset by losses from the unwinding of an asset funding structure in Life & Health Reinsurance and the Aurora sale in Admin Re[®].

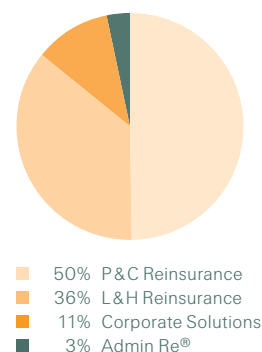
Acquisition costs for the Group increased to USD 6.5 billion in 2014 from USD 4.9 billion in 2013 as a result of higher business volumes.

Other expenses were USD 3.2 billion in 2014, down from USD 3.5 billion in 2013. A number of smaller individual items led to the reduction, including the release of a provision for premium tax in Asia in the third quarter of 2014.

Interest expenses amounted to USD 721 million in 2014, 5% lower than in 2013.

Net premiums and fees earned by Business Unit, 2014

(Total: USD 31.3 billion)



The Group reported a tax charge of USD 658 million on a pre-tax income of USD 4.2 billion for 2014, compared to a charge of USD 312 million on a pre-tax income of USD 4.8 billion for 2013. This translates into an effective tax rate in the current and prior year reporting periods of 15.6% and 6.5%, respectively. The higher tax rate in 2014 results from profits earned in higher tax jurisdictions and lower one-off tax benefits, partially offset by a higher tax benefit from foreign currency translation differences between statutory and GAAP accounts. The particularly low effective tax rate in 2013 was also driven by the conclusion of audits, rulings and revised tax opinions, as well as the implementation of lower tax rates and the transition to a new tax regime in the UK.

GROUP INVESTMENTS



“We delivered a strong investment result with 3.7% return on investments and 8.2% total return in challenging financial markets.”

Guido Fürer

Group Chief Investment Officer

Strategy

Swiss Re allocated its investments in 2014 in a manner consistent with an economic outlook of moderate global economic growth with increased downside risks. The portfolio changes during 2014 saw the reduction of the listed equities portfolio as well as hedge fund redemptions, both realising gains. At the same time, there was a net increase in government bonds driven by net purchases to lengthen the duration. The allocation to corporate bonds and securitised products remained steady, while the allocation to infrastructure loans increased.

Financial markets overview for 2014

Global central banks were one of the key market drivers in 2014. While the US Federal Reserve (Fed) steadily reduced its asset purchases and ended its quantitative easing programme in October, the ECB cut interest rates to zero and introduced additional unconventional measures. The Bank of Japan eased monetary policy further. The diverging monetary policies were largely a reflection of different growth and inflation dynamics, as the US economy posted solid growth after the weather-related slowdown in the first quarter, while Eurozone growth remained weak with inflation falling further. Japan fell back into recession.

Continued low policy rates supported government bonds (see page 19), with German 10-year Bund yields falling to record lows. Most major equity markets posted gains in 2014 despite geopolitical tensions, political uncertainties in Europe and concerns about China's property market. Financial market volatility has remained relatively subdued, though it spiked in mid-October amid growth concerns and the US Treasury bond 'flash crash'. Credit spreads continued to tighten during the first half of the year amid investors' search for yield, but widened in the second half (high-yield in particular), driven largely by the fall in oil and energy prices, which accelerated sharply in the fourth quarter.

4.1

Net investment income

in USD billion, 2014
(2013: USD 3.9 billion)

3.7%

Group return on investments

2014
(2013: 3.6%)

Investment result

The size of the Group's investment portfolio, excluding unit-linked and with-profit investments, decreased to USD 125.4 billion at the end of 2014 compared to USD 130.1 billion at the end of 2013. The decrease was impacted by the unwinding of an asset funding structure in L&H Reinsurance as well as other outflows, partially offset by increases stemming from lower interest rates and positive equity markets.

The return on investments for 2014 was 3.7% compared to 3.6% in 2013, with the difference mainly attributable to increased net investment income in 2014, in part due to the asset re-balancing completed in 2013.

The Group's non-participating net investment income increased to USD 4.1 billion compared to USD 3.9 billion in 2013, largely driven by asset re-balancing in 2013 as well as duration lengthening in 2014. On a full year basis, the Group's fixed income running yield of 3.3% was slightly higher than 3.2% for 2013.

The Group reported non-participating net realised investment gains of USD 567 million in 2014, mainly as a result of gains from sales of equities and alternative investments, partially offset by losses on interest rate derivatives, management actions in L&H Reinsurance and the sale of Aurora in the US. This compares to net realised gains of USD 766 million in 2013.

The total return on investments in 2014 was 8.2% as a result of market value gains arising from lower interest rates as well as a rise in equity markets during the year.

Outlook

We expect the moderate economic recovery to continue, with the US economy leading the way. In contrast, Eurozone growth is forecast to remain weak. The divergence in monetary policies is likely to widen further. We believe that in this environment, a top-down investment approach will continue to be of greatest value, including an increasing focus on China as it aims to further liberalise its economic policies.

FINANCIAL REPRESSION

Central banks have done an extraordinarily good job in stabilising financial markets, restoring economic confidence and fighting the threat of deflation. Yet six years after the financial crisis, interest rates are still at historically low levels. While the fear of systemic financial market failures has receded, concerns about low economic growth or even contraction remain.

Are low interest rates helping to overcome this global economic malaise? And what is the impact on savers?

One effect is clear: low interest rates help governments to fund their debt. This ability of governments to direct funds to themselves is called financial repression.

The costs of financial repression are significant. They include potential asset bubbles, increasing economic inequality, the potential of higher inflation and reputation damage for central banks. On top of these costs come a financial repression “tax” on savers and unknown effects on the supply of capital for investments.

Who pays the price for these unintended consequences?

Institutional investors such as insurers certainly pay the price when trying to match long-term liabilities, such as their pension obligations. Financial repression depresses running yields — a cost we can estimate by comparing current yields to “fair value” estimates implied by potential economic growth and equilibrium inflation of 2%. The difference amounts to a ‘tax’ of around 0.8% p.a. of insurers’ financial assets. Assuming an asset leverage of 4 to 8 times, this would translate into a drag on return on equity of about 4% on average per annum, and roughly USD 20–40 billion additional income per annum for US and European insurers over the period from 2008–2013.

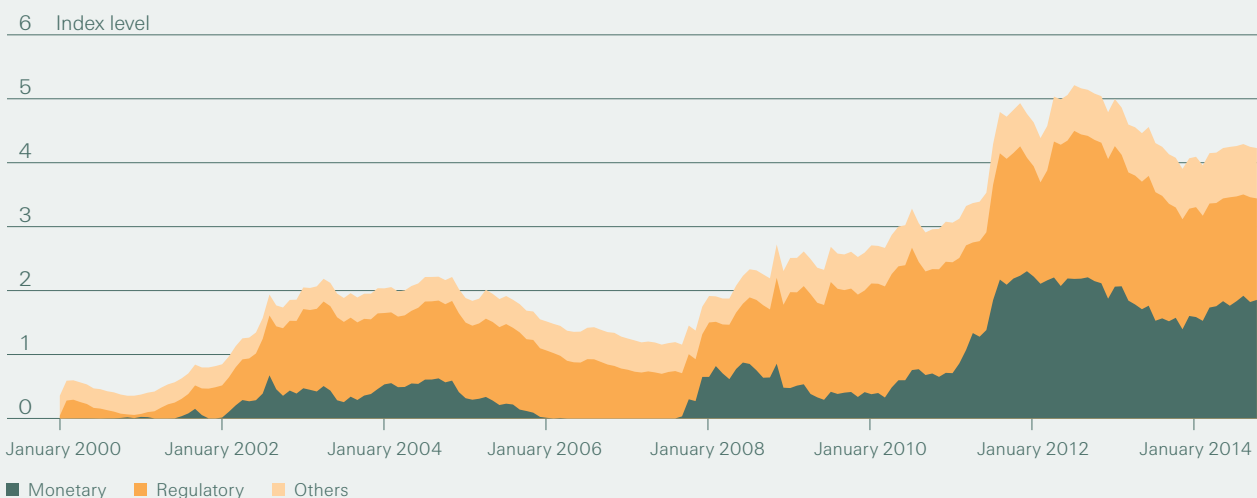
Swiss Re has developed an index to estimate the extent of financial repression (see chart). The index is based on monetary and regulatory components but it also takes banks’ domestic sovereign debt holdings and capital flow developments into account. The index suggests that financial repression is currently near historical highs.

Of course ordinary savers also have to deal with low or even negative real interest rates. Using the US as an example, the net tax on US savers amounts to a cumulative USD 470 billion of foregone interest over the same period (2008–2013). If wealthier savers benefited from the consequent equity rally, this would raise further questions about economic inequality.

One final way to tally the consequences of financial repression is by the cost to the real economy. Financial repression necessarily reduces the savings available to sustain financial market stability and support economic growth. One way to mitigate this impact would be to make regulatory changes that could encourage long-term investors (such as insurers) to invest directly in infrastructure.

Looking ahead, financial repression is likely to remain. But rather than stand by until policy actions take effect, we should act vigorously to achieve the policies’ intended outcomes.

Financial repression index



Source: Swiss Re

Note: an increase in the index shows an increase in financial repression

This page intentionally left blank

Summary of financial statements

Income statement			
USD millions	2013	2014	Change in %
Revenues			
Premiums earned	28 276	30 756	9
Fee income from policyholders	542	506	-7
Net investment income – non-participating	3 947	4 103	4
Net realised investment gains/losses – non-participating	766	567	-26
Net investment result – unit-linked and with-profit	3 347	1 381	-59
Other revenues	24	34	42
Total revenues	36 902	37 347	1
Expenses			
Claims and claim adjustment expenses	-9 655	-10 577	10
Life and health benefits	-9 581	-10 611	11
Return credited to policyholders	-3 678	-1 541	-58
Acquisition costs	-4 895	-6 515	33
Administrative expenses	-3 159	-3 056	-3
Other expenses	-349	-99	-72
Interest expenses	-760	-721	-5
Total expenses	-32 077	-33 120	3
Income before income tax expense	4 825	4 227	-12
Income tax expense	-312	-658	111
Net income before attribution of non-controlling interests	4 513	3 569	-21
Income attributable to non-controlling interests	-2	-	-
Net income after attribution of non-controlling interests	4 511	3 569	-21
Interest on contingent capital instruments	-67	-69	3
Net income attributable to common shareholders	4 444	3 500	-21
Changes in equity			
USD millions	2013	2014	Change in %
Total shareholders' equity as of 1 January	34 002	32 952	-3
Net income attributable to common shareholders	4 444	3 500	-21
Change in unrealised gains/losses on securities, net	-2 785	3 796	-
Change in other-than-temporary impairment, net of tax	22	3	-86
Change in foreign currency translation	-288	-778	-170
Dividends	-2 760	-3 129	-13
Purchase/sale of treasury shares and shares issued under employee plans	-102	-114	-12
Other changes in equity	419	-300	-
Total shareholders' equity as of 31 December	32 952	35 930	9
Non-controlling interests	25	111	344
Total equity as of 31 December	32 977	36 041	9

Summary balance sheet

USD millions	2013	2014	Change in %
Assets			
Investments			
Fixed income securities	79 296	86 669	9
Equity securities	7 691	4 089	-47
Policy loans, mortgages and other loans	2 895	3 205	11
Investment real estate	825	888	8
Short-term investments, at amortised cost which approximates fair value	20 989	14 127	-33
Other invested assets	11 164	9 684	-13
Investments for unit-linked and with-profit business	27 215	25 325	-7
Total investments	150 075	143 987	-4
Cash and cash equivalents	8 072	7 471	-7
Reinsurance assets	33 003	30 437	-8
Deferred acquisition costs and other intangible assets	8 293	8 137	-2
Goodwill	4 109	4 025	-2
Other assets	9 968	10 404	4
Total assets	213 520	204 461	-4
Liabilities and equity			
Unpaid claims and claim adjustment expenses	61 484	57 954	-6
Liabilities for life and health policy benefits	36 033	33 605	-7
Policyholder account balances	31 177	29 242	-6
Unearned premiums	10 334	10 576	2
Funds held under reinsurance treaties	3 551	3 385	-5
Reinsurance balances payable	2 370	2 115	-11
Income taxes payable	660	909	38
Deferred and other non-current taxes	8 242	9 445	15
Short-term debt	3 818	1 701	-55
Accrued expenses and other liabilities	8 152	6 873	-16
Long-term debt	14 722	12 615	-14
Total liabilities	180 543	168 420	-7
Total shareholders' equity	32 952	35 930	9
Non-controlling interests	25	111	344
Total equity	32 977	36 041	9
Total liabilities and equity	213 520	204 461	-4

Reinsurance

Our 2014 performance was driven by excellent underwriting and progress on strategic goals.



“We strive to help our clients manage their capital and risk through tailored transactions, and to help them grow in new areas by combining our technical expertise with their market knowledge.”

Christian Mumenthaler
CEO, Reinsurance

Strategy and priorities

Our Reinsurance strategy is to achieve excellence in our core business, continuously improve the value provided by our products and services, and expand selectively in target areas.

Excellence in our core businesses relies on underwriting as a key differentiator, based on cycle management and portfolio steering. This includes the steering of peak perils, our risk transformation capabilities and research and development. In property, an in-house research team develops and maintains proprietary models for storm, earthquake and flood. In casualty, we are developing an equivalent forward-looking model based on a systematic assessment of risk drivers. In Life&Health, the breadth and depth of our experience data give us an advantage in pricing and managing risks for our clients and on our own balance sheet.

Our key value drivers are large capacity, technical expertise and the ability to develop tailored solutions to meet clients' needs, for example in the area of solvency relief. The development of new solvency regimes in many markets, such as Europe, China and Mexico, provides attractive opportunities over the next few years. We continue to see growth opportunities in health, casualty and high growth markets, particularly in the focus countries China, India, Indonesia, Brazil and Mexico, as well as in Sub-Saharan Africa and Vietnam. We are continuing to expand our presence in these markets through a combination of organic growth and direct investment, and building expertise by hiring and developing local talent.

There is still a large protection gap in both mature and high growth countries which provides a good opportunity in Property & Casualty and Life & Health lines for Swiss Re, given our knowledge and underwriting expertise and ability to structure solutions and transfer risk to the capital markets.

Property & Casualty

We believe that maintaining a diversified portfolio of growth opportunities and differentiating our services and knowledge are key to success for Property & Casualty Reinsurance (P&C) in the current market environment. We aim to maintain earnings quality through disciplined underwriting and superior service. Our product offerings go beyond pure capacity, with customised solutions that complement traditional reinsurance.

Natural catastrophe prices have come under increasing pressure due to benign loss experience and abundant capacity. Over 2014 we were able to defend our leading position. Profit margins have been declining; however, Swiss Re's underlying earnings were still strong. Property and specialty contributed significantly in 2014. Casualty price levels were softer overall, while terms and conditions were mostly stable. We continued to be successful in differentiating our business through tailored deals and large transactions.

Life & Health

In 2014, Swiss Re set the foundations for delivering 10%–12% ROE in the Life & Health Reinsurance (L&H) business by 2015: we addressed the negative profitability of US pre-2004 portfolios, grew in profitable and attractive new business lines and built market presence in Asia.

We have successfully executed agreements with targeted clients to address and resolve the performance issues related to pre-2004 US individual life business. Furthermore, we continue with the implementation of other management actions, such as the 2014 unwinding of an asset funding structure supporting a longevity transaction, that will provide a significant contribution to meeting our financial targets.

Alongside this, we selectively grew in profitable lines of business and completed a number of large deals in health, structured solutions and longevity.

In terms of geography, L&H in Asia continues to enjoy strong profitable growth and to provide increasingly meaningful diversification to the earnings from our more mature markets. Our client franchise in Asia has also been confirmed by a strong showing in external market surveys, including Asia Insurance Review's Life Reinsurer of the Year for the second year running, and best overall reinsurer in China and Asia-wide, according to the Flaspöhler survey.

We continue to believe that L&H is strategically attractive, as it adds to the profits and diversification of the Group, enhances the value proposition to core clients and represents an attractive growth opportunity. Due to our recognised expertise, strong balance sheet, excellent track record and dedicated teams, we are the ideal partner for product development, large capital-driven transactions, longevity deals and structured solutions tailored to client needs.

Outlook

We believe that we are well positioned to capture the market opportunities ahead of us. We are strongly positioned for continued business growth and the payment of dividends to the holding company.

We expect natural catastrophe business to grow globally. Despite an increase in alternative capacity, particularly in the US, we believe we will continue to achieve attractive returns on the property business we write. We also see growth opportunities in casualty.

The traditional mortality business environment for life and health reinsurance continues to be highly competitive, with low margins and a low yield environment. We continue to find opportunities to leverage our expertise, capacity and brand to select the best deals. Life and health reinsurance is a knowledge- and service-intensive business with high entry barriers and only a handful of relevant players in the space. We aim to use our superior tools and capabilities to capture an over-proportionate share of life and health risk pools and outperform our competitors in terms of profitable growth. This will mainly be achieved through superior client services in traditional life, innovation and product development in health, know-how and capital strength in structured solutions and longevity transactions, but also through pro-active portfolio steering and capital management.

See below for further views on the outlook for P&C and L&H Reinsurance segments.

PROPERTY & CASUALTY REINSURANCE

Performance

Net income for 2014 was USD 3.6 billion. The result was mainly driven by good underwriting results supported by benign natural catastrophe experience and better man-made loss experience, as well as net reserve releases from prior accident years. The 2014 result also benefited from a release of a premium tax provision in Asia in the third quarter.

Compared to 2013, the underwriting result for 2014 increased by USD 192 million largely due to better-than-expected natural catastrophe experience and lower expenses, partially offset by lower net reserve releases.

Major natural catastrophes in 2014 included hailstorms in Europe, a snowstorm in Japan, hurricane Odile in Mexico and floods in India and Pakistan. Large man-made losses included a large specialty loss in Asia, an explosion at a refinery in Russia and losses for Malaysian Airline flights MH370 and MH17.

Net premiums earned

Net premiums earned increased by 7% to USD 15.6 billion in 2014, compared to USD 14.5 billion in 2013. The growth was mainly driven by the expiry of a major quota share retrocession agreement at the end of 2012 and growth in Asia stemming from large quota share treaties written at the end of 2013. This was partially offset by the non-renewal of a large European transaction.

The composition of gross premiums earned by region changed slightly year on year, with Asia having a higher share of premiums in 2014 compared to 2013.

The balance between proportional and non-proportional reinsurance business moved towards proportional business in 2014. Based on gross premiums written before intra-Group retrocession, the share of proportional business was 64% in 2014, compared to 61% in 2013.

Property & Casualty results

USD millions	2013	2014	Change in %
Premiums earned	14 542	15 598	7
Expenses			
Claims and claim adjustment expenses	-7 884	-8 493	8
Acquisition costs	-2 761	-3 382	22
Other expenses	-1 541	-1 175	-24
Total expenses before interest expenses	-12 186	-13 050	7
Underwriting result	2 356	2 548	8
Net investment income	1 098	1 076	-2
Net realised investment gains/losses	184	699	280
Other revenues	61	69	13
Interest expenses	-207	-255	23
Income before income tax expenses	3 492	4 137	18
Income tax expense	-244	-552	126
Income attributable to non-controlling interests	-1	-1	0
Interest on contingent capital instruments	-19	-20	5
Net income attributable to common shareholders	3 228	3 564	10
Claims ratio in %	54.2	54.5	
Expense ratio in %	29.6	29.2	
Combined ratio in %	83.8	83.7	

Combined ratio

Property & Casualty Reinsurance reported a strong combined ratio of 83.7% in 2014, compared to 83.8% in the previous year. Both periods benefited from a better than expected natural catastrophe experience and favourable prior-year reserve developments.

The impact from natural catastrophes in 2014 was 6.5 percentage points below the expected level of 9.3 percentage points. The favourable development of prior accident years improved the 2014 combined ratio by 3.9 percentage points compared to 7.4 percentage points in 2013.

Lines of business**Property**

The property combined ratio improved to 69.7% in 2014, compared to 72.3% in 2013, supported by benign natural catastrophe loss experience and favourable prior-year claims experience.

Casualty

The casualty combined ratio for 2014 was 104.1%, compared to 102.3% in 2013. 2014 included lower net reserve releases compared to 2013.

Specialty lines

The specialty combined ratio improved to 68.1% in 2014, compared to 75.0% in 2013, reflecting favourable prior-year developments.

Expense ratio

The administrative expense ratio decreased to 7.5% in 2014, compared to 10.6% in 2013, mainly driven by the release of a premium tax provision in Asia in the third quarter of 2014 and by premium growth year on year.

Investment result

The return on investments for 2014 was 3.7% compared to 2.8% in 2013, reflecting an increase in the investment result of USD 405 million. The increase was mainly driven by net realised gains from the sale of listed equities and alternative investments in the current period.

Net investment income increased by USD 53 million to USD 999 million in 2014, mainly from re-balancing activities completed in 2013 as well as additional income resulting from bond purchases to lengthen duration during 2014.

Net realised gains were USD 730 million compared to USD 380 million in 2013, mainly due to additional gains from the sale of listed equities as well as from the negative impact of losses from foreign exchange re-measurement in the prior year.

Insurance-related investment results are not included in the figures above.

Return on equity

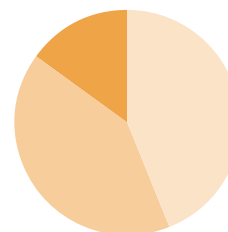
Common shareholders' equity for the business segment increased to USD 13.9 billion in 2014 from USD 12.8 billion in 2013, mainly due to unrealised gains. The return on equity for 2014 was 26.7%, compared to 26.0% in 2013, mainly due to higher earnings in 2014, partially offset by the increased equity base.

Outlook

We observed further softening of property reinsurance rates for all regions due to the absence of losses and to abundant capital. Swiss Re maintained large shares of catastrophe business at profitable levels. Most special lines are experiencing moderate rate reductions, with the exception of aviation, where some market hardening was seen. Differences in price development by casualty segment were observed. Opportunities for new, attractive casualty business present themselves in selected markets.

We have the expertise, knowledge and services to meet the increased demand for innovative and tailored solutions and we are well positioned to support clients in both developed and high growth markets. Our superior risk selection remains a key value driver in this environment.

Premiums earned by line of business, 2014 (Total: USD 15.6 billion)



44% Property
41% Casualty
15% Specialty

UNDERSTANDING CASUALTY RISK

Through careful risk selection we're growing our casualty share of business. To understand the drivers of casualty claims, we're developing forward-looking models to systematically assess liability risk — for both our clients and ourselves.

Casualty insurers and reinsurers have often been caught out by relying on predominantly backward-looking models to price and manage the business. While acquiring more risk, some of the real drivers of eventual claims — such as tort reform, social norms and other 'human' factors — remain ignored by such models.

As part of our commitment to industry-leading R&D we're developing forward-looking models (Swiss Re Liability Risk Drivers™) that anticipate the impact of such trends early on without having to wait for claims to emerge. This is just one way we seek to enhance underwriting quality as we grow our casualty share of business. Today we share a suite of services based on our knowledge of such 'risk drivers' with selected clients. Further applications of forward-looking models beyond risk selection (eg, in risk accumulation) are in development.

LIFE & HEALTH REINSURANCE

As previously reported, Swiss Re has been focusing on a number of management actions to improve the profitability of its in-force Life & Health business. We concluded transactions with several clients in respect of the pre-2004 US individual life business during the fourth quarter which have resulted in a pre-tax charge of USD 623 million, slightly higher than previously communicated according to the ultimate form and structure established in the actual settlement agreements. In addition, Swiss Re unwound an asset funding structure supporting a longevity transaction which resulted in a pre-tax charge of USD 344 million. Swiss Re took advantage of an opportunity to unwind the structure as it was earning lower returns than the interest payable on the related debt. The unwinding created economic benefits and removed debt from Swiss Re's balance sheet. The longevity part of the transaction remains unchanged. This transaction generated a tax benefit of USD 149 million which, following the established principle of applying a unified tax rate, was allocated to both Reinsurance segments. Along with other initiatives these actions are expected to support higher earnings and enable us to achieve our return on equity target of 10%–12% for 2015.

Net income

Net loss for 2014 was USD 462 million compared to a net income of USD 420 million in 2013. The loss was mainly due to the management actions in respect of the pre-2004 US individual life business, as well as to realised losses driven by the unwinding of the asset funding structure and non-economic losses on interest rate hedges in the first half of 2014. Excluding the management actions and the unwinding of the asset funding structure, net income would have been USD 358 million.

Net premiums earned and fee income

Net premiums earned and fee income increased by 12.4% to USD 11.3 billion in 2014, compared to USD 10.0 billion

Life & Health results

USD millions	2013	2014	Change in %
Revenues			
Premiums earned	9 967	11 212	12
Fee income from policyholders	56	53	-5
Net investment income – non-participating	1 442	1 544	7
Net realised investment gains/losses – non-participating	269	-255	-
Net investment result – unit-linked and with-profit	249	75	-70
Total revenues	11 983	12 629	5
Expenses			
Life and health benefits	-8 075	-9 194	14
Return credited to policyholders	-286	-99	-65
Acquisition costs	-1 698	-2 489	47
Other expenses	-1 421	-1 323	-7
Total expenses	-11 480	-13 105	14
Income before income tax expenses	503	-476	-
Income tax expense	-35	63	-
Interest on contingent capital instruments	-48	-49	2
Net income attributable to common shareholders	420	-462	-
Management expense ratio in %	7.6	6.9	
Operating margin in %	5.8	2.6	

in 2013. The increase was driven by volume growth and new business in Asia, longevity transactions in the UK and regular rate increases in the US yearly-renewable term business.

Operating margin ratio

The operating margin for 2014 was 2.6% compared to 5.8% for 2013. The decrease was mainly due to management actions in respect of the pre-2004 US individual life business. Excluding the impact of these management actions, the 2014 operating margin would have been 7.4%. Note that 2013 was negatively impacted by the reserve strengthening in Australia group disability business.

Administrative expense ratio

The administrative expense ratio improved to 6.9% for 2014 compared to 7.6% in 2013, mainly due to volume growth year on year.

Operating income

The Life segment reported an operating loss of USD 66 million compared to a profit of USD 430 million in 2013. The loss was mainly due to management actions described above, partly offset by more favourable mortality experience in the US and Canada and strong growth in Asia.

Operating income for the Health segment increased to USD 397 million, compared to USD 231 million in 2013. The 2014 results were impacted by unfavourable experience in the UK and increased disabled life reserves reflecting latest experience studies and interest rate movements. The prior-year result included reserves strengthening for the Australia group disability business of USD 369 million.

Operating income of Life & Health does not include the pre-tax charge on the unwinding of the asset funding structure. This charge is included under non-participating realised gains/losses.

Investment result

The return on investments for 2014 was 3.2% compared to 4.1% in 2013, reflecting a decrease in the investment result of USD 317 million. The decrease was driven by mark-to-market losses on certain hedging positions during 2014 as well as by foreign exchange gains in the prior year.

Net investment income increased by USD 141 million to USD 1.2 billion in 2014 mainly due to additional income stemming from the asset re-balancing completed in 2013.

Net realised losses were USD 72 million for 2014, mainly due to mark-to-market losses on hedging positions. This compares to net realised gains of USD 386 million in the prior year, which were driven by mark-to-market gains on hedging positions as well as a positive impact from foreign exchange re-measurement.

Insurance-related investment results, including the realised losses on the unwinding of the asset funding structure, are not included in the figures above.

Shareholders' equity

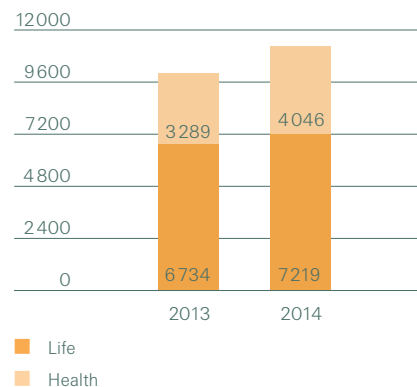
Common shareholders' equity stands at USD 6.2 billion at the end of 2014 compared to USD 5.5 billion as of the end of 2013. The increase was mainly attributable to an increase in unrealised gains, partly offset by operating and foreign exchange losses. Return on equity was negative 7.9% for 2014 compared to a positive 6.4% for 2013.

Outlook

Life & Health Reinsurance business is expected to grow modestly in the medium term. Cession rates in mature markets are decreasing as primary insurers retain more risk. In addition the low interest rate environment will continue to have an unfavourable impact on the long-term life business growth for our cedents. As a result we expect reinsurance volumes from these markets to be flat.

To manage these challenges we are pursuing opportunities presented by major demographic and socioeconomic trends, such as in high growth markets where growth remains dynamic, and particularly in health. We will continue to pursue large transaction opportunities, including longevity deals, which we

Premiums earned and fee income by L&H segment, 2013–2014 (USD millions)



believe will allow us to write new business at attractive returns. We are also improving our capabilities to help close the protection gap. We continue to aim that our future new business meets the Group's return on equity hurdle rates.

i UNDERSTANDING TRENDS IN HEALTH

The growing challenge to health care systems around the world will come from non-communicable diseases such as diabetes and stroke. Swiss Re and the Harvard School of Public Health (HSPH) have just completed a two-year programme to improve our understanding of the risk factors behind these trends.

The programme is called SEARCH: Systematic Explanatory Analyses of Risk factors affecting Cardiovascular Health. It focuses on four countries — Brazil, China, India and Mexico — that account for nearly three billion people.

Funds support 11 post-doctoral fellows who have strong ties to the focus countries and an intimate grasp of the cultural context of observed trends in risk factors. They also have a deep understanding of the data sources.

SEARCH is a clear example of how Swiss Re's R&D activities lead to new knowledge on future risks, especially in health. The research helps us work together with our insurance clients to better define how insurers — as well as society at large — can meet the challenge of non-communicable diseases.

Please visit cgd.swissre.com for papers and videos generated by SEARCH.

Corporate Solutions

The year was characterised by strategic acquisitions in China and Colombia and by further profitable growth.



“Our goal is to grow the business in a profitable and sustainable way. In 2014 we also laid the foundation for future growth by extending our footprint in key High Growth Markets.”

Agostino Galvagni
CEO, Corporate Solutions

Strategy and priorities

At the Swiss Re Investors' Day, Corporate Solutions presented its strategic initiatives for growth beyond 2015, communicating the intent to focus on expansion into Primary Lead and moving more significantly into High Growth Markets. As part of the High Growth Markets strategic initiative, Corporate Solutions announced two acquisitions during the year.

In July 2014, Corporate Solutions signed an agreement to acquire Sun Alliance Insurance (China) Limited, subject to regulatory approval. Once closed, the acquisition will enable Corporate Solutions to offer corporate insurance directly from mainland China. China will be the fourth market in which Corporate Solutions is licensed as a commercial insurer in the Asia Pacific region, joining Australia, Japan and Singapore.

In November 2014, Corporate Solutions completed the previously announced acquisition of a 51% stake in Compañía Aseguradora de Fianzas S.A. Confianza (“Confianza”). Confianza is a Colombian insurer that offers a broad range of surety insurance products, third-party liability and all-risk construction insurance solutions to local corporations. Confianza is Corporate Solutions' second locally licensed insurance carrier in Latin America and will complement existing teams in Mexico City, Miami, Rio de Janeiro and São Paulo.

Corporate Solutions also successfully issued subordinated debt of USD 500 million in the third quarter of 2014, in line with implementation of the Group target capital structure.

Corporate Solutions results

USD millions	2013	2014	Change in %
Revenues			
Premiums earned	2 922	3 444	18
Net investment income	98	94	-4
Net realised investment gains	150	168	12
Other revenues	2	3	50
Total revenues	3 172	3 709	17
Expenses			
Claims and claim adjustment expenses	-1 773	-2 054	16
Acquisition costs	-406	-463	14
Other expenses	-601	-687	14
Interest expenses	-1	-8	-
Total expenses	-2 781	-3 212	15
Income before income tax expense	391	497	27
Income tax expense	-111	-179	61
Income attributable to non-controlling interests	-1	1	-
Net income attributable to common shareholders	279	319	14
Claims ratio in %	60.6	59.6	
Expense ratio in %	34.5	33.4	
Combined ratio in %	95.1	93.0	

Performance

Net income was USD 319 million in 2014, an increase of 14.3% compared to USD 279 million in 2013. The 2014 result was driven by continued profitable business growth across most lines of business, primarily property and credit.

Net premiums earned

Net premiums earned increased by 17.9% to USD 3.4 billion in 2014 compared to USD 2.9 billion in 2013, driven by continued successful organic growth across most lines of business, especially property, casualty and credit, and across all regions, with the highest growth in Europe and Latin America. Gross premiums written, net of internal fronting for the Reinsurance Business Unit, increased 6.8% to USD 4.0 billion in 2014 compared to 2013.

Combined ratio

The combined ratio improved by 2.1 percentage points to 93.0% in 2014 from 95.1% in 2013. The quality of the book remained consistently high year on year with natural catastrophe experience lower than expected, offset by a larger number of man-made losses.

Lines of business

The property combined ratio improved by 8.2 percentage points to 81.1% for 2014, compared to 89.3% in 2013, reflecting continued profitable growth across all regions, with the highest growth in Latin America and Asia, lower than expected natural catastrophe losses and favourable prior-year development.

The casualty combined ratio deteriorated by 2.3 percentage points to 110.7% in 2014, mainly due to unfavourable prior-year development on liability losses in North America.

The credit combined ratio improved to 72.3% in 2014 compared to 74.5% in 2013. The result was driven by a significant expansion of the book and continued strong business performance across all regions, especially in Europe and Latin America.

In other specialty lines, the combined ratio deteriorated by 5.3 percentage points to 100.6% in 2014 from 95.3% in 2013. The deterioration was due to higher man-made losses, including a large Asian satellite loss, and a reduction in favourable prior-year development in North America.

Investment result

The return on investments for 2014 was 2.6% compared to 2.4% in 2013, driven by net realised gains.

Net investment income for 2014 was USD 113 million, consistent with the prior year, with additional income related to the asset re-balancing completed in 2013, offset by reduced income from alternative investments.

Net realised gains increased by USD 35 million to USD 94 million in 2014, primarily due to unfavourable movements in foreign exchange rates in the prior year.

Insurance-related investment results are not included in the figures above.

Corporate Solutions offers insurance protection against weather perils and other risks which are accounted for as derivatives. Insurance in derivative form, which reported realised gains of USD 53 million in 2014 compared to a gain of USD 91 million in 2013, was impacted by the 2013–2014 unusually cold winter in the US and the mild winter in Europe.

Shareholders' equity

Common shareholders' equity decreased to USD 2.3 billion, primarily due to USD 700 million in dividends paid to the Group. Return on equity was 12.5% in 2014, compared to 9.6% in 2013.

Outlook

Overall, prices for commercial insurance are expected to continue softening. Corporate Solutions believes it is well positioned to navigate an increasingly challenging market thanks to its value proposition, strong balance sheet and selective underwriting approach.

CREDIT & SURETY

Credit & Surety is part of Corporate Solutions specialty business, contributing approximately 10% to annual gross premium earned. The focus is on two distinct offerings.

In **Trade & Infrastructure**, we insure trade credits and political risks, which is a well-established commercial insurance line, serving a broad range of commercial clients, such as financial institutions, industrial corporates, commercial traders and multilateral agencies. The main risks insured are performance and credit risks associated with international commercial trade and project financing, as well as political risks resulting from government intervention. Our Trade & Infrastructure book is well-diversified and it aligns strongly with the interests of our clients through meaningful risk retention. Historical loss experience has been benign. Swiss Re has been active in this line of business for over a decade.

Surety Insurance is a well-established product which covers contractual, legal and/or regulatory obligations, such as the completion of privately or publicly funded projects. For this, we issue contract and commercial surety bonds in many forms, under which both Corporate Solutions and the contractor/principal are liable. In case of a loss we are entitled to full recourse to the contractor/principal for the amount paid under the bond. Corporate Solutions writes surety insurance through its network of local offices, benefiting from a solid market position and track record, as well as providing meaningful capacity as a risk taker.

The global annual market premium from the combined **Trade & Infrastructure** and **Surety Insurance** business is estimated at more than USD 10 billion.

This page intentionally left blank

Admin Re[®]

In 2014 Admin Re[®] made a strong contribution to the Group and delivered against its strategy.



“We delivered excellent gross cash generation, continued our exit from the US market and entered into a major transaction in the UK.”

Bob Ratcliffe
CEO, Admin Re[®]

Strategy and priorities

Admin Re[®] aims to enhance business profitability by applying a three-pronged strategy to leverage its core competencies of selective growth, value extraction and operational excellence.

Admin Re[®]'s strategy of selective growth means pursuing opportunities to build and enhance the franchise in the UK market. All transactions need to meet Swiss Re's Group investment criteria and hurdle rates.

Value extraction relates to the active management of the portfolios of assets and blocks of businesses and a focus on consistently creating value through capital and tax synergies.

Operational excellence involves continuous improvement of the scalable operating platform. It also means focusing on transformation and management actions, including business efficiency and cost reductions.

Performance

In June 2014, Admin Re[®] announced that it had entered into a transaction with HSBC to acquire individual and group pension and related annuity policies from HSBC Life (UK) Limited. As part of the transaction, a reinsurance agreement was signed with HSBC. The economic risks and rewards of the business were transferred to Admin Re[®] starting 1 January 2014 until completion of the legal transfer of the business, which is expected in the second half of 2015. In October 2014 Admin Re[®] also announced the sale of Aurora National Life Assurance Company (Aurora). Both transactions underline the focus on the UK market as part of Admin Re[®]'s overall strategy.

Admin Re[®] generated gross cash of USD 945 million in 2014 compared to USD 521 million generated in 2013. The 2014 amount included USD 217 million relating to the sale of Aurora. The strong performance in 2014 was also driven by the release of USD 225 million in surplus reserves held against the risk of credit default. Another USD 234 million was recognised following the finalisation of the 2013 year-end and 2014 half-year UK statutory valuation, owing to favourable mortality and longevity experience.

Admin Re[®] reported net income of USD 34 million in 2014 compared with USD 423 million in 2013. The 2014 result includes a USD 203 million loss from the sale of Aurora.

Excluding this loss, net income was USD 237 million. Net income in 2014 benefited from realised gains, income recognised from the HSBC transaction and lower finance costs following the establishment of an external credit facility in April 2014. The 2013 result included higher realised gains following the re-balancing of the investment portfolio and favourable investment market movements in the UK.

Investment result

The return on investments was 4.6% for 2014 compared to 5.1% for 2013, reflecting a decrease in the investment result of USD 95 million primarily driven by lower net realised gains. As the portfolio is primarily comprised of fixed income assets, the result for 2014 was driven by net investment income on corporate and government bonds.

Net investment income increased by USD 12 million to USD 901 million in 2014, mainly due to additional income related to the asset re-balancing completed in 2013.

Net realised gains decreased by USD 108 million to USD 175 million in 2014 primarily due to fewer realised gains from sales in 2014.

Insurance-related investment results are not included in the figures above.

Admin Re[®] results

USD millions	2013	2014	Change in %
Revenues			
Premiums earned	844	502	-41
Fee income from policyholders	486	453	-7
Net investment income – non-participating	1 180	1 256	6
Net realised investment gains/losses – non-participating	201	-114	-
Net investment result – unit-linked and with-profit	3 098	1 306	-58
Other revenues	1	1	0
Total revenues	5 810	3 404	-41
Expenses			
Life and health benefits	-1 506	-1 415	-6
Return credited to policyholders	-3 392	-1 442	-57
Acquisition costs	-30	-181	-
Other expenses	-441	-359	-19
Interest expenses	-46	-25	-46
Total expenses	-5 415	-3 422	-37
Income before income tax benefit	395	-18	-
Income tax benefit	28	52	86
Net income attributable to common shareholders	423	34	-92

Expenses

Expenses were USD 359 million in 2014 compared to USD 441 million in 2013. Admin Re[®] delivered against its strategy with cost reductions in 2014, and lower deal-related costs.

Shareholders' equity

Common shareholders' equity increased by USD 0.6 billion to USD 6.4 billion compared to 31 December 2013. The increase was mainly due to higher unrealised gains, driven by decreasing interest rates in the UK and the US during 2014, partially offset by the USD 407 million dividend paid to the Group in June 2014 and foreign exchange movements during 2014. The return on equity was 0.6% for 2014 compared to 6.8% for 2013. Excluding the loss on the Aurora sale, the return on equity was 3.8% for the year. The year-over-year decrease was mainly due to lower net income in 2014.

Outlook

Admin Re[®] aims to pursue selective growth opportunities in the UK. All transactions must meet Group investment criteria and hurdle rates. Admin Re[®] has benefited from greater financial flexibility and a lower weighted average cost of capital following the establishment of a credit facility of GBP 550 million in April 2014. Overall Admin Re[®] aims to improve efficiency, to achieve capital and tax synergies, and to actively manage its asset portfolios and blocks of business. Through these actions Admin Re[®] aims to generate approximately USD 500 million in cash from 2015 through 2016 and approximately USD 600 million of dividends to be paid to Group in the corresponding period.

Share performance

Swiss Re shares

Swiss Re had a market capitalisation of CHF 31.0 billion on 31 December 2014, with 370.7 million shares outstanding, of which 342.2 million are entitled to dividends. Swiss Re shares are listed in accordance with the main standard on the SIX Swiss Exchange (SIX) and are traded under the ticker symbol SREN.

American Depositary Receipts (ADR)

In the US Swiss Re maintains an ADR level I programme (OTC symbol SSREY).

Share price performance

Swiss Re shares opened the year at CHF 82.05. On 16 October 2014 the shares experienced an intra-day low of CHF 69.25. An intra-day high of CHF 86.55 was achieved on 12 March 2014. The year-end share price was CHF 83.65.

During 2014 the STOXX Europe 600 Insurance index (SXIP) and the broader index of Swiss blue chips (SMI) increased by 9.8% and 9.5% respectively. The Swiss Re share increased by 2.0%.

Share trading

The average on-exchange daily trading volume for 2014 was 1.2 million shares. Trading volume peaked at 4.1 million shares on 12 March 2014.

Swiss Re's dividend policy

Swiss Re's highest priority is to grow the regular dividend with long-term earnings. At a minimum Swiss Re aims to maintain the regular dividend. Then Swiss Re will deploy capital for business growth where it meets its profitability requirements.

Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Shares are ex-dividend two working days after the Annual General Meeting (AGM). Dividend payment is typically two working days after the ex-dividend date. The corresponding dates in 2015 are 23 and 27 April.

Dividends

The Board of Directors proposes a regular dividend of CHF 4.25 per share and an additional special dividend of CHF 3.00 per share for 2014. Both dividends will be in the form of Swiss withholding tax exempt distributions out of legal reserves from capital contributions.

Public share buy-back programme

The Board of Directors proposes to authorise the company to repurchase own shares for the purpose of cancellation by way of a public share buy-back programme of up to CHF 1.0 billion at any time ahead of the 2016 AGM. Swiss Re will ask the AGM in April 2016 permission to cancel the repurchased shares.

Index representation

In addition to its relevant industry indices, Swiss Re is also represented in various Swiss, European and global indices, including the SMI and the SXIP. The composition of these indices is typically based on free-float market capitalisation.

Swiss Re is also a member of various sustainability indices, including the Dow Jones Sustainability and FTSE4Good index families. Swiss Re has been named as the insurance industry sector leader in the Dow Jones Sustainability indices for 2014. This is the eighth time since 2004 that Swiss Re has led the insurance sector in these rankings.

Information for investors

More information on Swiss Re's shares is available in the Investor Relations section on Swiss Re's website at: www.swissre.com/investors

General information on Swiss Re shares

Identification numbers	Share	ADR	
Swiss Security Number (Valorenummer)	12688156	–	
ISIN (International Securities Identification Number)	CH0126881561	US8708861088	
Ticker symbols	Bloomberg	Telekurs	Reuters
Share	SREN:VX	SREN	SREN.VX
ADR ¹	SSREY:US	SSREY	SSREY.PK

¹ Swiss Re's ADRs are not listed but traded over the counter; one ADR corresponds to one Swiss Re share.

Weighting in indices

As of 31 December 2014	Index weight (in %)
Swiss/blue chip indices	
SMI	2.65
SPI	2.25

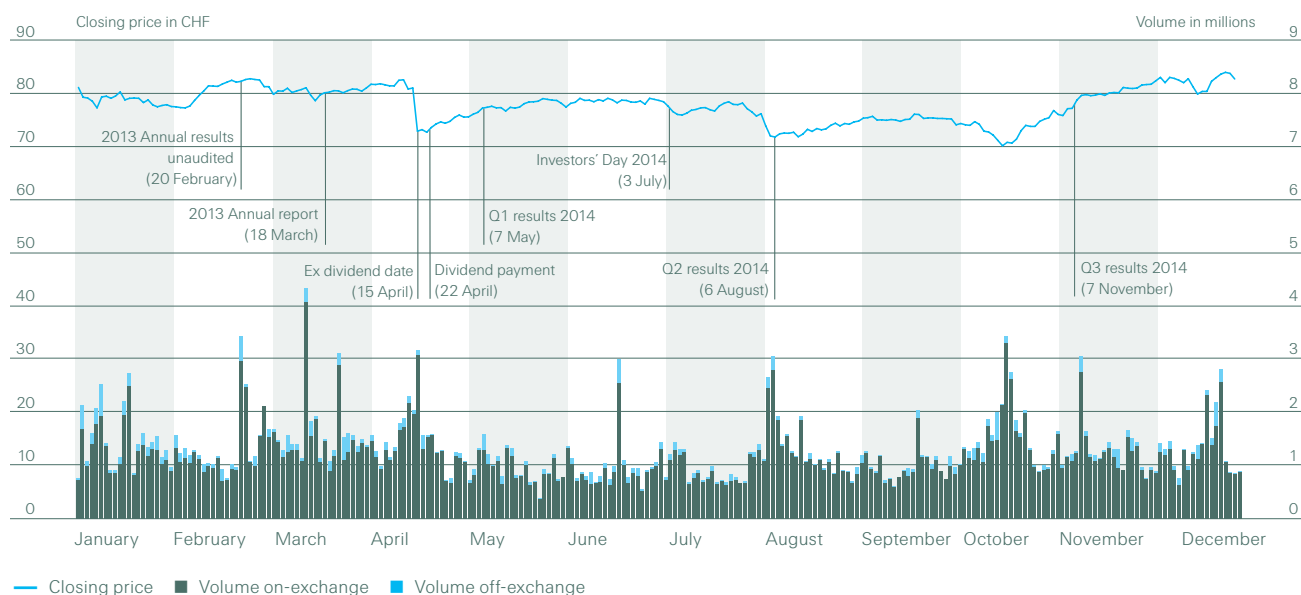
Insurance indices

STOXX Europe 600 Insurance	5.33
Bloomberg Europe 500 Insurance	6.27
FTSEurofirst 300 Insurance	10.07
Dow Jones Insurance Titans 30	2.56

Sustainability indices

Dow Jones Sustainability Europe	0.77
Dow Jones Sustainability World	0.33
FTSE4Good Global	0.17
MSCI Global Climate	1.01

Swiss Re share price and trading volume in 2014



Key share statistics 2010–2014¹

As of 31 December	2010	2011	2012	2013	2014
Shares outstanding ²	370 704 153	370 706 931	370 706 931	370 706 931	370 706 931
of which Treasury shares and shares reserved for corporate purposes	28 083 630	27 970 432	27 537 673	28 511 298	28 507 491
Shares entitled to dividend	342 620 523	342 736 499	343 169 258	342 195 633	342 199 440
CHF unless otherwise stated					
Dividend paid per share	1.00	2.75	3.00	3.50 ³	3.85 ⁴
Dividend yield ⁵ (in %)	2.0	5.7	4.6	4.3	4.6
Earnings per share ⁶	2.64	6.79	11.13	12.04	9.33
Book value per share ⁷	68.99	80.74	87.76	82.76	101.12
Price per share year-end	50.30	47.87	65.90	82.05	83.65
Price per share year high (intra-day)	53.75	60.75	68.10	84.75	86.55
Price per share year low (intra-day)	42.10	35.12	47.25	66.10	69.25
Daily trading volume (in CHF millions)	86	73	58	78	95
Market capitalisation ⁸ (in CHF millions)	18 646	17 746	24 430	30 417	31 010
ADR price at year-end (in USD)	53.72	50.55	72.30	92.38	84.57

¹ Due to the implementation of a new holding structure as of 23 May 2011, references to Swiss Re shares refer to shares of Swiss Reinsurance Company Ltd (ticker symbol: RUKN) for the period until 20 May 2011 and to shares of Swiss Re Ltd (ticker symbol: SREN) as of 23 May 2011.

² Nominal value of CHF 0.10 per share.

³ In addition to the regular dividend of CHF 3.50 per share a special dividend of CHF 4.00 per share was paid in 2013.

⁴ In addition to the regular dividend of CHF 3.85 per share a special dividend of CHF 4.15 per share was paid in 2014.

⁵ Dividend divided by year-end share price of corresponding year.

⁶ Calculated by dividing net income by the weighted average number of common shares outstanding.

⁷ Based on shareholders' equity (excluding convertible perpetual capital instruments) divided by the number of external common shares entitled to dividend.

⁸ Based on shares outstanding.

Risk and capital management

We remained strongly capitalised through 2014. We aim to combine this capital strength with financial flexibility, maximising return on equity within our risk tolerance.

Overview

Striking the balance between strength and flexibility.

In 2014, we actively reduced our overall risk exposure by re-balancing our investment portfolio. We continue to hold excess capital under applicable external capital requirements, as well as surplus liquidity and capital relative to our own, more conservative risk tolerance criteria.

Capitalisation

Throughout 2014 we held capital well in excess of applicable external capital adequacy requirements. In the mid-2014 Swiss Solvency Test (SST), the Group's regulatory capitalisation was 249%, as submitted to the Swiss Financial Market Supervisory Authority (FINMA) in October. Rating agencies A.M. Best, Moody's, and Standard&Poor's rated Swiss Re's financial strength 'superior,' 'excellent' and 'very strong', respectively (see page 52).

Our overall goal for capital management is to maintain a capital structure that operates efficiently within the above constraints and maximises our financial flexibility. Our underwriting and investment decisions are steered so as to make capital and liquidity fungible to the Group wherever possible while complying with local regulations and client needs. Cash dividends paid to the Group's parent holding company, Swiss Re Ltd, totalled USD 4.4 billion in 2014.

In 2014, we also passed two major milestones in optimising the capital structure of our Business Units. In April 2014, Admin Re[®] secured GBP 550 million in bank funding. The funding was used to repay an internal loan from Reinsurance to Admin Re[®], as well as to finance a major transaction with HSBC (see page 44). Five months later, Swiss Re Corporate Solutions Ltd issued USD 500 million in subordinated debt, maintaining Corporate Solutions' capital strength while lowering the cost of capital. At Group level deleveraging has totalled USD 4.8 billion since the end of 2012.

Based on the Group's capital strength, the Board of Directors proposes a 10% increase in the 2014 regular dividend to CHF 4.25 per share and a special dividend of CHF 3.00 per share. In addition, the Board of Directors proposes a public share buy-back programme of up to CHF 1.0 billion, exercisable until the AGM in 2016.

Liquidity

Our core insurance and reinsurance operations generate liquidity primarily through premium income. Our exposure to liquidity risk stems mainly from two sources: the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group.

The amount of liquidity held is largely determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events. Based on these internal liquidity stress tests, we estimate that the Swiss Reinsurance Company Ltd liquidity pool, the primary liquidity pool of the Group, holds surplus liquidity.

Our risk profile in 2014

Throughout 2014, Swiss Re's overall risk decreased, as we reduced our financial market exposure in line with planned changes in our asset allocation. Property and casualty risk remained stable as Swiss Re defended its book and implemented planned reductions in external hedging to offset the effects of a challenging market environment. Swiss Re's portfolio of risks from underwriting and investment activities remains widely diversified.

Overall credit risk decreased while life and health risk increased compared to 2013, primarily as a result of enhancements and updates to our risk model. In addition, the rise in life and health risk was also driven by a further decrease in interest rates throughout 2014. We continuously refine our model and its parameters to reflect our experience and changes in the risk, as well as advances in current best practice and the regulatory environment.

As a global reinsurer, Swiss Re continues to be exposed to a very dynamic regulatory and political environment. We are strongly engaged in the regulatory debate, leveraging our broad expertise to mitigate negative impacts, support the convergence of regulatory standards and generate business opportunities.

Risk Management

Our proprietary integrated risk model provides a meaningful assessment of the risks to which the Group is exposed and is an important tool for managing our business. It determines the capital requirements for internal purposes and forms the basis for regulatory reporting under the SST and Solvency II.

Risk Management is embedded throughout our business. For each Business Unit, we have dedicated risk experts and Chief Risk Officers who analyse and challenge business decisions. Their independence is maintained by a direct reporting line to the Group Chief Risk Officer. They apply a consistent Enterprise Risk Management approach across the Group to ensure a fully integrated view of risk, and enable sustainable commercial success for Swiss Re.

Swiss Re's Risk Management function is an integral part of our business model and key to the controlled risk taking that underpins our financial strength. Risk Management is mandated to ensure that the Group and its Business Units have the necessary expertise, frameworks and infrastructure to support good risk taking. In addition, it monitors and ensures adherence to the applicable frameworks, and also performs reserving and reporting activities.

Capital management

We have already achieved USD 4.8 billion of deleveraging and further optimised the capital structure.

During 2014, Swiss Re continued deleveraging, maintained its strong capitalisation and further directed excess capital from its Business Units to the Group's holding company, Swiss Re Ltd. This active capital management allows us to return capital to our shareholders via a proposed regular dividend of CHF 4.25, a special dividend of CHF 3.00 per share and a share buy-back programme of up to CHF 1.0 billion.

Optimising the capital structure

Swiss Re's level of capitalisation and its capital structure are driven by regulatory and rating capital requirements, and management's view of risks and opportunities arising from our underwriting and investing activities. As announced at the June 2013 Investors' Day, we set a target capital structure that aims to operate efficiently within these constraints by maximising financial flexibility. Its focuses are on the reduction of senior leverage, including letters of credit (LOCs), the issuance of contingent capital to replace traditional subordinated debt and extending the Group's funding platform by creating access to external funding for Corporate Solutions and Admin Re®.

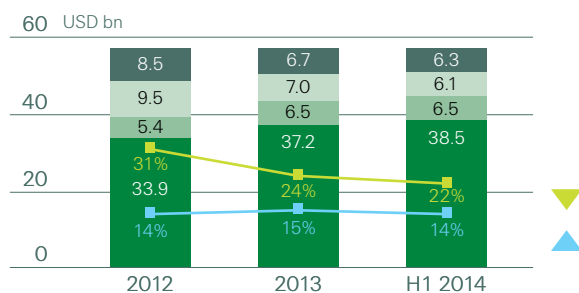
Key milestones achieved in 2014

The implementation of the Group's target capital structure has progressed further with three important milestones achieved in 2014:

External senior bank funding has been introduced in Admin Re® through Swiss Re Life Capital Ltd entering into a GBP 550 million multi-bank revolving credit facility in April 2014. The senior bank funding has been used to repay an internal loan from Reinsurance to Admin Re® and to finance the Admin Re® transaction with HSBC.

Swiss Re Corporate Solutions Ltd, in its inaugural public debt issuance, issued USD 500 million subordinated fixed rate

Ongoing effort to optimise capital structure



- Core capital¹ ■ Senior debt² ■ LOC³
- Total hybrid incl. contingent capital
- ▼ — Senior leverage plus LOC ratio⁴ (target range: 15–25%)
- ▲ — Subordinated leverage ratio⁵ (target range: 15–20%)

1 Core capital of Swiss Re Group is defined as economic net worth (ENW)
 2 Senior debt excluding non-recourse positions
 3 Unsecured LOC capacity and related instruments (usage is lower)
 4 Senior debt plus LOCs divided by total capital
 5 Subordinated debt divided by sum of subordinated debt and ENW

	Group	Reinsurance	CorSo	Admin Re®
Letters of Credit ³	▼	▼ USD 2.0bn		
Senior	▼	▼ USD 4.4bn		▲ GBP 550m
Subordinated	▼	▼ to be realised	▲ USD 500m	
Contingent capital	▲ to be realised	▲ CHF 175m & USD 750m		

Achievements since year-end 2012

- Letters of Credit reduction of net USD 2.0 bn
- USD 4.4 bn deleveraging of senior debt in Reinsurance
- Entry into GBP 550 m revolving credit facility for Admin Re®
- First Corporate Solutions subordinated debt issuance of USD 500 m
- Reinsurance subordinated debt reduction to come
- In 2013, issuance of CHF 175 m and USD 750 m dated subordinated contingent write-off instrument

resettable callable loan notes, with a first call date in 2024 and a scheduled maturity in 2044 at an annual coupon of 4.5%. The transaction introduced subordinated debt into Corporate Solutions, maintaining its strong capital position while lowering its cost of capital.

Overall Group deleveraging has totalled USD 4.8 billion since year-end 2012, and is on track to implement its target capital structure. Net senior deleveraging in 2014 amounted to USD 1.8 billion, driven by USD 2.8 billion senior debt maturities and a net USD 0.2 billion reduction in LOCs and related instruments. New senior issuances and bank funding reached USD 1.2 billion.

Legal entity capital management

Our regulated subsidiaries are subject to local regulatory requirements, which for our EU subsidiaries will include Solvency II. At the subsidiary level we set the target capital at a level tailored to each entity's business and the market environment in which it operates. Our underwriting and investment decisions are steered so as to make capital and liquidity fungible to the Group wherever possible, while complying with local regulations and client needs. Cash dividends paid to the Group's parent holding company, Swiss Re Ltd, totalled USD 4.4 billion in 2014.

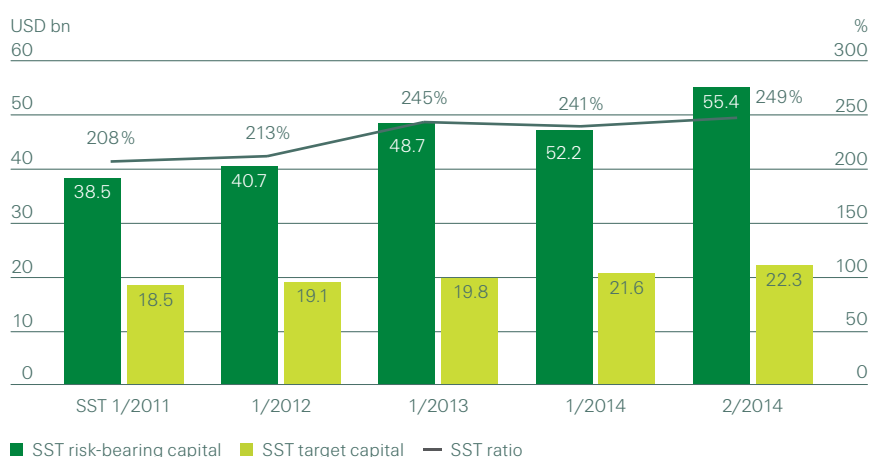
External dividends to shareholders and share buy-back programme

Based on the Group's capital strength, the Board of Directors proposes a 10% increase in the 2014 regular dividend to CHF 4.25 per share, up from CHF 3.85 in 2013 and a special dividend of CHF 3.00 per share. In addition, the Board of Directors proposes a public share buy-back programme for the maximum amount of CHF 1.0 billion, exercisable until the AGM in 2016. Once completed, these capital measures are expected to bring the total amount of capital returned to shareholders to USD 10.7 billion since the implementation of the new Group structure in 2012.

Swiss Re's capital adequacy

Swiss Re holds excess capital under all relevant capital adequacy requirements such as the SST (see chart), Solvency I and Standard & Poor's AA rating.

Group capitalisation – Swiss Solvency Test (SST)¹



¹ SST is a legally binding solvency measure. SST risk-bearing capital is based on the preceding year-end (mid-year for SST 2/2014) capital position (minus projected dividends). SST target capital reflects a 12-month forward-looking view; SST 2/2014 as filed with FINMA at the end of October 2014, consolidated Group view. The impact of the October 2013 CHF 175 m subordinated write-off securities and September 2014 USD 500 m subordinated loan notes are not reflected in SST 2/2014.

**Swiss Re Group’s capital adequacy
Regulatory capital requirements**

Swiss Re is supervised at Group level and for its regulated legal entities domiciled in Switzerland by FINMA. FINMA supervision comprises minimum solvency requirements, along with a wide range of qualitative assessments and governance standards.

Swiss Re provides regulatory solvency reporting to FINMA under the rules of Solvency I and the SST. The SST is based on an economic view. We calculate available capital based on our Economic Value Management (EVM) framework and required capital under the SST using our internal risk model (see pages 55–56 for further information on EVM). The minimum requirement for Solvency I and the SST is a ratio of 100%. Swiss Re’s Solvency I and SST ratios both materially exceed the minimum requirement.

Swiss Re’s capital management aims to ensure our ability to continue operations following an extremely adverse year of losses from insurance and/or financial market events.

Rating agency capital requirements

Rating agencies assign credit ratings to the obligations of Swiss Re and its rated subsidiaries.

The agencies evaluate Swiss Re based on a set of criteria that include an assessment of our capital adequacy.

Each rating agency uses a different methodology for this assessment; A.M. Best and Standard & Poor’s (S&P) base their evaluation on proprietary capital models.

A.M. Best, Moody’s and S&P rate Swiss Re’s financial strength based upon interactive relationships. The insurance financial strength ratings are shown in the table below.

On 10 December 2013, Moody’s upgraded Swiss Re’s insurance financial strength rating to Aa3. The outlook on the rating is “stable”. This upgrade reflects Swiss Re Group’s improved financial profile, notably with respect to profitability and financial flexibility, while maintaining an overall excellent market position and strong business diversification.

On 28 November 2014, S&P affirmed the AA- financial strength of Swiss Re and its core subsidiaries. The outlook on the rating is “stable”. S&P revised upward its assessment of Swiss Re’s financial risk profile and risk position. S&P sees increasing evidence that Swiss Re’s capital and earnings exhibit less potential for material volatility than most reinsurance peers.

On 6 November 2014, A.M. Best affirmed the A+ financial strength rating of Swiss Re and its subsidiaries. The outlook for the rating is “stable”. The rating reflects the Swiss Re Group’s excellent consolidated risk-adjusted capitalisation, strong operating performance and superior business profile as a leading global reinsurer.

Swiss Re’s financial strength ratings

As of 17 December 2014	Financial strength rating	Outlook	Last update
Moody’s	Aa3	Stable	10 December 2013
Standard & Poor’s	AA-	Stable	28 November 2014
A.M. Best	A+	Stable	6 November 2014

Economic Value Management

EVM is an integrated economic accounting and steering framework based on market-consistent valuations and defines the method for measuring value creation for all business activities of Swiss Re.

Economic Value Management (EVM) is Swiss Re's integrated economic valuation framework for planning, pricing, reserving and steering the business. Since 2003, Swiss Re has used the EVM framework as a tool to support business and strategic financial decisions, including compensation. EVM also provides the basis for determining available capital under the SST and, in the future, Solvency II.

The key EVM valuation principles are summarised below.

Market-consistent valuations

All traded assets and liabilities are marked to market, based on quoted prices in active markets or observable inputs. Untraded assets and liabilities are valued consistently with market prices. The Group's insurance liabilities are valued on a market-consistent basis by replicating future expected cash flows with liquid financial market instruments. As the majority of the Group's insurance liabilities do not contain embedded financial market risk exposure other than to interest rates, the market consistent value can be determined by discounting future cash flows using prevailing risk-free interest rates. If insurance liabilities include embedded options or guarantees (eg, variable annuities or interest rate-sensitive life business), they are valued on a market-consistent basis using stochastic models and other appropriate valuation techniques.

Performance split of underwriting and investment activities

EVM values insurance underwriting and investment activities separately. Underwriting activities create value by raising funds on insurance markets at a lower cost than through other sources. The investment functions are assessed on a risk-adjusted basis. This makes possible a like-for-like comparison of underwriting and investment activities.

Closed-book approach

EVM recognises all cash flows associated with a new contract at inception, and any changes in estimates as they occur. In comparison, the deferral and matching principle under US GAAP postpones recognition of revenues until they are earned and

matches expenses to those revenues. EVM excludes the recognition of all potential future new business activities, as well as potential renewals.

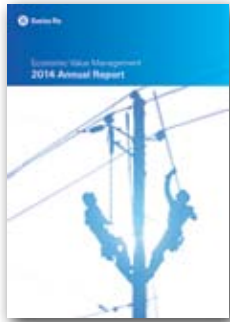
Best estimates

Swiss Re values assets and liabilities based on best estimates of underlying cash flows — premiums, claims, expenses, taxes, capital costs, etc. — taking into consideration all the information available when a contract inception. As with other valuation methods that depend on projections of future cash flows, EVM involves a significant degree of judgment in establishing what assumptions should be used. Swiss Re actively and carefully reviews its assumptions, seeking both to achieve consistency across business activities and to reflect all available information.

Performance measurement after capital costs

EVM explicitly recognises opportunity costs for shareholder capital. Cost-of-capital charges include the base cost of capital and frictional capital costs. The base cost of capital is reflected through a charge for risk-free returns on available capital and market risk premiums. Market risk premiums compensate for systematic, non-diversifiable risk exposure, mainly assumed through investing activities. Frictional capital costs compensate for agency costs, costs of potential financial distress and regulatory (illiquidity) costs; they are reflected through a 4% charge on available capital and an average 2% charge on leverage.

i **EVM results for 2014**
The 2014 EVM Report, showing Swiss Re's results for the full year 2014, is available on swissre.com/investors/financial_information



ECONOMIC NET WORTH IN 2014

Economic net worth (ENW) is defined as the difference between the market value of assets and the market-consistent value of liabilities. ENW is the EVM measure of shareholders' equity and the starting point in determining available capital for SST calculations.

In 2014, ENW increased by USD 1.2 billion to USD 38.4 billion at the end of December 2014. 2014 EVM income of USD 5.2 billion was partially offset by the Swiss Re Group's dividend payments.

Economic net worth

USD billions	2013	2014	Change in %
Property & Casualty	17.2	16.6	-3
Life & Health	8.9	9.5	7
Reinsurance	26.1	26.1	-
Corporate Solutions	3.9	3.0	-23
Admin Re®	4.8	3.3	-31
Group items	4.8	5.9	23
Consolidation	-2.4	-	-
Total	37.2	38.4	3

Liquidity management

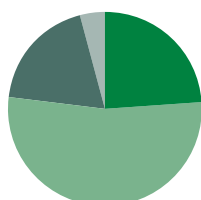
We actively manage liquidity risks to ensure that we can satisfy the financial obligations of the Group.

As a re/insurance group, our core business generates liquidity primarily through premium income. Our exposure to liquidity risk stems mainly from two sources: the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group.

To manage these risks, we have a range of liquidity policies and measures in place. In particular, we aim to ensure that:

- sufficient liquidity is held to meet funding requirements under current conditions as well as adverse circumstances;
- funding is charged and credited at an appropriate market rate through our internal transfer pricing;
- diversified sources are used to meet our residual funding needs; and
- long-term liquidity needs are taken into account, both in our planning process and in our management of financial market risk.

Composition of spot liquidity in the Swiss Reinsurance Company Ltd liquidity pool as of 31 December 2014
(Total USD 15.0 billion)



- 24% Cash, short-term investments and reverse repos
- 53% Government bonds AAA rated & US
- 19% Other developed market government bonds investment grade
- 4% Developed market supranational, agencies and municipal bonds

Liquidity risk management

Our core liquidity policy is to retain sufficient liquidity in the form of unencumbered liquid assets and cash to meet potential funding requirements arising from a range of possible stress events. To allow for regulatory restrictions on intra-group funding, liquidity is managed within groups of entities known as liquidity pools. Swiss Re is served by four main liquidity pools representing the parent companies of the Group and each of the three Business Units. Each liquidity pool comprises the respective parent company and its unregulated subsidiaries whose funds are freely transferable to the parent company. The amount of liquidity held is largely determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events. The funding requirements under stress include:

- cash and collateral outflows, as well as potential capital and funding support required by subsidiaries as a result of loss events;
- repayment or loss of all maturing unsecured debt and credit facilities;
- additional collateral requirements associated with a potential ratings downgrade;
- further contingent funding requirements related to asset downgrades; and
- other large committed payments, such as expenses, commissions and tax.

The stress tests also assume that funding from assets is subject to conservative haircuts, that intra-group funding is not available if it is subject to regulatory approval, that no new unsecured funding is available, and that funding from new re/insurance business is reduced.

The primary liquidity stress test is based on a one-year time horizon, a loss event corresponding to 99% Tail Value at Risk (see pages 62–63), and a three-notch ratings downgrade.

Swiss Re’s liquidity stress tests are reviewed regularly and their main assumptions are approved by the Group Executive Committee. Swiss Re provides FINMA with a yearly report on its liquidity position, in accordance with FINMA’s circular 13/5, “Liquidity—Insurers.”

Liquidity position of the Swiss Reinsurance Company Ltd (SRZ) liquidity pool

The SRZ pool is the primary liquidity pool of the Group. The estimated total liquidity sources in the SRZ liquidity pool available within one year, after haircuts and net of short-term loans from Swiss Re Ltd, amounted to USD 20.4 billion as of 31 December 2014, compared with USD 18.3 billion as of 31 December 2013. This total includes USD 15.0 billion of liquid assets and cash, referred to as “spot liquidity”, compared with USD 12.7 billion in 2013. Based on the internal liquidity stress tests described above, we estimate that the SRZ liquidity pool holds surplus liquidity after dividends to Swiss Re Ltd.

In 2014, the surplus liquidity increased substantially due to management actions, including a decrease of investment risk, the optimisation of intra-group transactions and a reduction in funding requirements under stress. This facilitated a further reduction in leverage.

Risk management

Risk management is fully embedded in all our business activities to enable controlled risk-taking and efficient, risk-adjusted capital allocation.

Risk management ensures an integrated approach to managing current and emerging threats. Embedded throughout the business, our Group Risk Management function ensures that strategic planning and limit-setting conform to Swiss Re's Group-wide risk tolerance. Group Risk Management is also deeply involved in large transaction approvals, portfolio monitoring and performance measurement, as well as capital cost assessment.

Controlled risk-taking requires a strong and independent risk management organisation, as well as comprehensive risk management processes to identify, assess and control risk exposures. Our risk management is based on four guiding principles that we strive to apply consistently across all risk categories and Business Units:

- **Controlled risk-taking:** financial strength and sustainable value creation are central to Swiss Re's value proposition. We thus operate within a clearly defined risk policy and risk control framework.
- **Open risk culture:** risk transparency, knowledge sharing and responsiveness to change are integral to our risk control process.
- **Clear accountability:** our operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with Swiss Re's overall business objectives.
- **Independent risk controlling:** dedicated specialised units within Risk Management monitor all our risk-taking activities. They are supported by independent Compliance and Group Internal Audit functions.

Risk policy and risk control framework

All risk-taking activities are subject to our Group Risk Policy, which articulates Swiss Re's core risk management and capital structure principles. It describes Swiss Re's risk mandate, including risk tolerance criteria and targets at Group and Business Unit level. The Group Risk Policy is established by the Group Board of Directors and Swiss Re employees are bound by it at all times.

Swiss Re's Risk Control Framework comprises a body of standards that establishes an internal control system for managing risk. It defines key tasks which represent the five core components of the risk management cycle:

- **Risk oversight of planning**—ensures that the risk implications of plans are understood and determines whether the business plan at Group and Business Unit level adheres to Swiss Re's risk tolerance.
- **Risk identification**—ensures that all risks to which Swiss Re is exposed are transparent in order to make them more controllable and manageable.
- **Risk measurement**—enables the Group to understand the magnitude of its risks and set quantitative controls that limit its risk-taking.
- **Risk exposure control**—allows Swiss Re to control its risk-taking decisions and total risk accumulations, including the passive risk we are exposed to through our operations.
- **Risk reporting**—creates internal risk transparency and enables Swiss Re to meet external disclosure requirements.

More information on Swiss Re's risk tolerance and limit framework is provided at the end of this section. For details on risk measurement, exposure control and reporting for individual risk categories, see the risk assessment section on pages 64–71.

Risk culture

Swiss Re fosters and maintains a strong risk culture to promote risk awareness and support appropriate attitudes and behaviours towards risk taking and risk management. Risk Management reinforces the Group's risk culture by increasing risk transparency, and fostering open discussion and challenge in the Group's risk-taking and risk management processes.

Swiss Re's risk culture provides a key foundation for the efficient and effective application of our risk management framework by delivering:

- Confidence, both within the organisation and among stakeholders, regarding risk exposure and the way it is handled to deliver sustainable, profitable business. An effective and strong risk culture facilitates intelligent risk taking that optimises return and avoids exposure to excessive loss.
- The ability to respond quickly and dynamically. Awareness and deliberate acceptance of different risks allows us to evaluate our current risk position and take advantage of opportunities it offers.
- A forward-looking mindset that enables us to pre-emptively assess and respond to risk developments and emerging risks. Proactive engagement can result in effective pre-emptive action that increases regulatory confidence and minimises the likelihood of regulatory sanctions.
- Awareness of the limitations of risk models: knowing when to use them and when to rely on judgment. A strong risk culture encourages employees to speak up against agreed wisdom and provide alternative perspectives.
- Reinforced risk management, control and awareness, enabling considered and effective responses to risk.

Risk ownership and accountability

In order to ensure clear control, accountability and independent monitoring for all risks, our risk governance distinguishes between three fundamental roles in the delegation of risk taking:

- Risk owner—establishes a strategy, assumes responsibility for achieving the objectives and maintains ultimate responsibility for the outcomes.
- Risk taker—executes an objective within the authority delegated by the risk owner; risk takers are required to provide the respective risk controller with all information required to monitor and control their risks.
- Risk controller—is tasked by the risk owner with independent oversight of risk-taking activities to mitigate potential conflicts of interest between the risk owner and risk taker; risk controllers are responsible for escalating any concerns.

Risk-taking activities are typically subject to three lines of control. The first line comprises control activities performed by front-line employees (risk taskers), such as the use of authority limits, deal sign-offs and portfolio management in underwriting units. This is supported by independent functions (risk controllers), including Risk Management, Compliance and Group Internal Audit, who provide the second and third lines of control.

KEY RISK MANAGEMENT BODIES AND RESPONSIBILITIES

Board of Directors

Responsible for Group's governance principles and policies, acting through the Finance and Risk Committee, the Investment Committee and the Audit Committee

Group Executive Committee

Develops and implements the Group risk management framework, sets and monitors risk capacity limits; some responsibilities are delegated to the Group CRO and the Business Units

Group CRO

Leads the Risk Management function and represents it within the Group EC; reports to the Board's Finance and Risk Committee

Central Risk Management units

Manage financial market and credit risk; provide shared risk management services such as risk modelling, risk governance, political risks and emerging risks; maintain Group frameworks for liquidity, operational and regulatory risks

Group Internal Audit

Performs independent, objective assessments of adequacy and effectiveness of internal control systems

Business Unit Executive Teams

Ensure that risk-taking decisions in their area conform to the Risk Control Framework

Business Unit CROs

Responsible for risk oversight and establishing risk governance in their respective Business Units; supported by functional, regional and legal entity CROs and risk teams

Compliance

Manages compliance risks, and oversees compliance with applicable laws, regulations, rules and Swiss Re's Code of Conduct

Risk management bodies and functions

Swiss Re's Board of Directors is ultimately responsible for the Group's governance principles and policies. It mainly performs risk oversight and governance through three committees:

- The Finance and Risk Committee reviews the Group Risk Policy and risk capacity limits, monitors adherence to risk tolerance, and reviews top risk issues and exposures.
- The Investment Committee reviews the financial risk analysis methodology and valuation related to each asset class and ensures that the relevant management processes and controlling mechanisms are in place.
- The Audit Committee oversees internal controls and compliance procedures.

The Group Executive Committee (Group EC) is responsible for developing and implementing Swiss Re's Group-wide risk management framework. It also sets and monitors risk capacity limits,

oversees the economic value management framework, determines product policy and underwriting standards, and manages regulatory interactions and legal obligations. The Group EC has delegated various risk management responsibilities to the Group Chief Risk Officer (CRO) as well as to the Business Units.

The Group CRO, who is a member of the Group EC, reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. He leads the Group Risk Management function, which is responsible for risk oversight and control across Swiss Re. The Group Risk Management function is comprised of central risk management units providing shared services, along with dedicated teams for the Reinsurance, Corporate Solutions and Admin Re[®] Business Units.

The three Business Unit risk teams are led by dedicated Chief Risk Officers, who report directly to the Group CRO, and have a secondary reporting line to their respective Business Unit CEO. The Business Unit CROs are responsible for risk oversight in their respective Business Unit, as well as for establishing proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and legal entity CROs, who are responsible for overseeing risk management issues that arise at regional or legal entity level.

While the risk management organisation is closely aligned to the business organisation in order to ensure effective risk oversight, all embedded teams and CROs remain part of the Group Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks.

The central risk management units support the CROs at Group, Business Unit and lower levels in discharging their oversight responsibilities. They do so by providing services such as:

- Financial risk management
- Specialised risk category expertise and accumulation control
- Risk modelling and analytics
- Regulatory relations management
- Developing the central risk governance framework

The central teams also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

The monitoring of reserves for the three Business Units is provided by a dedicated Actuarial Control Unit within Risk Management. In addition, actuarial management for Corporate Solutions and Admin Re[®] is part of Risk Management, whereas in Reinsurance the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

Risk management activities are also supported by our Group Internal Audit and Compliance units. Group Internal Audit performs independent, objective assessments of adequacy and effectiveness of internal control systems. It evaluates execution processes of Swiss Re, including those within Risk Management. Our Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules and Swiss Re's Code of Conduct. In addition, it assists the Board of Directors, the Group EC and management in identifying, mitigating and managing compliance risks. For more information on our audit and compliance functions, see pages 95 of this Financial Report.

Risk tolerance and limit framework

Swiss Re's risk tolerance is an expression of the extent to which the Board of Directors has authorised the Group EC and Business Unit management teams to assume risk. It represents the maximum amount of risk that Swiss Re is willing to accept within the constraints imposed by its capital and liquidity resources, its strategy, its risk appetite, and the regulatory and rating agency environment within which it operates. Risk tolerance criteria are specified for the Group and Business Units, as well as for Swiss Re's major legal entities.

A key responsibility of Risk Management is to ensure that Swiss Re's risk tolerance is adhered to throughout the business. As part of this responsibility, Risk Management ensures that our business planning is assessed against our risk tolerance. Furthermore, both our risk tolerance and risk appetite—the types and level of risk we seek to take within the constraints imposed by our risk tolerance—are reflected in a limit framework across all risk categories. Individual limits are established through an iterative process to ensure that the overall framework complies with our Group-wide policies on capital adequacy and risk accumulation. The limit framework is approved by the Group EC.

The Group's risk tolerance and limits are monitored on a current as well as prospective basis. The latter is performed as part of the Group-wide planning processes.

As part of these efforts, the Risk Management function promotes a forward-looking awareness of the Group's risk profile and is integrated into the Group's key business decisions, seeking to be a trusted partner within Swiss Re as well as the for our external stakeholders.

Risk assessment

Lower overall risk in 2014 mainly reflects planned changes in our asset allocation which reduced financial market risk.

In 2014, Swiss Re's overall risk decreased by 5%, mainly driven by lower financial market risk, as we implemented planned changes in our asset allocation, in particular a reduction in equity investments. Property and casualty risk remained stable as we successfully defended our book in a challenging environment.

Swiss Re uses its internal risk model to measure the Group's capital requirements, as well as for defining risk tolerance, risk limits, and liquidity stress tests (see box on page 68). Based on our internal risk model, Swiss Re's overall risk exposure in terms of 99% tail value at risk (tail VaR) decreased to USD 19.1 billion in 2014, down 5% from USD 20.0 billion in 2013. 99% tail VaR (also known as expected shortfall) represents an estimate of the average annual loss likely to occur with a frequency of less than once in 100 years.

Alternative risk measures – 99% and 99.5% VaR – showed our risk decreasing by 2% to USD 14.3 billion and by 4% to USD 17.0 billion, respectively.

The Group capital requirement table on page 63 shows the 99% tail VaR on a standalone basis for each of Swiss Re's core risk categories:

- Financial market risk decreased by 9% to USD 12.2 billion in 2014, in line with the implementation of planned changes in Swiss Re's asset allocation (see Group Investments on page 28). This reduction was mainly driven by sales of listed equities (predominantly exchange-traded funds), partly offset by additional investments in corporate bonds.
- Credit risk was 13% lower at USD 2.6 billion. The decrease was mainly driven by a regular update to default and migration probabilities used in our integrated risk model. Credit migration – which is included in credit risk – represents the risk of deterioration in credit ratings.

- Property and casualty risk remained stable overall at USD 9.1 billion, as Swiss Re successfully defended its book in a challenging market environment and implemented planned reductions in external hedging.
- Life and health risk rose 23% to USD 8.0 billion. The increase was driven by enhancements to Swiss Re's risk model as well as a further decrease in interest rates (see page 65).

Our model and its parameters are continuously refined and updated to reflect our experience, changes in the risk and regulatory environment, and advances in current best practice.

Our internal risk model takes account of the accumulation and diversification between individual risks. The effect of diversification at the category level is demonstrated in the table on page 63, which represents the difference between the Group 99% tail VaR and the sum of standalone tail VaR amounts for the risk categories. The extent of diversification is largely determined by the selected level of aggregation (the higher the aggregation level, the lower the diversification effect).

SWISS RE'S RISK LANDSCAPE



The risk categories shown in the table on the right are discussed on the following pages. Across these categories we identify and evaluate emerging threats and opportunities through a systematic framework that includes the assessment of potential surprise factors that could affect known loss potentials. Liquidity risk management is discussed above, on page 57.

Core modelled risks		
Insurance <ul style="list-style-type: none"> ■ Property and casualty ■ Life and health 	Financial market <ul style="list-style-type: none"> ■ Credit spread ■ Equity market ■ Foreign exchange ■ Interest rate ■ Inflation ■ Real estate 	Credit <ul style="list-style-type: none"> ■ Credit default ■ Credit migration
Other significant risks		
Operational	Liquidity	Strategic
Regulatory	Political	Sustainability
Emerging risks		

Group capital requirement based on one-year 99% tail VaR

USD billions, as of 31 December	2013	2014	Change in %	cross reference information
Property and casualty	9.1	9.1	0	see page 64
Life and health	6.6	8.0	23	see page 65
Financial market	13.3	12.2	-9	see page 66
Credit ¹	3.0	2.6	-13	see page 67
Simple sum	31.9	31.9	0	
Diversification effect	-12.0	-12.9		
Swiss Re Group	20.0	19.1	-5	

¹ Credit comprises credit default and credit migration risk.

INSURANCE RISK

Insurance risk management includes overseeing risk-taking activities, as well as ensuring that an appropriate risk governance framework is defined and applied.

Our Risk Management function is embedded in Swiss Re's business processes. Before any business is written, Risk Management is involved in the Group-wide annual business planning; it also reviews underwriting guidelines, pricing models, and large individual transactions. Risk exposure is monitored against agreed risk limits.

Swiss Re's Risk Management function monitors reserving levels; it provides information to the risk-taking functions on trends to ensure appropriate pricing. Underwriting systems across the Group provide timely information on risks assumed and capacity committed. Regular internal risk and issue reporting ensures transparency at all stages.

Property and casualty risk

Change from 2013 99% tail VaR



Description

Property and casualty (P&C) insurance risk arises from the coverage that Swiss Re provides for property, liability, motor, and accident risks through its Reinsurance and Corporate Solutions Business Units, as well as for specialty risks such as engineering, aviation, and marine. We classify and model our property and casualty risks in three categories at Group and Business Unit level: natural catastrophes (eg, earthquakes and windstorms), man-made risks (eg, liability and fire), and geopolitical risks (eg, terrorism). We also monitor and manage underlying risks inherent in the business we underwrite, such as inflation or uncertainty in pricing and reserving.

Developments in 2014

Swiss Re's property and casualty risk remained stable overall. The impact of the challenging January renewals and strengthening of the US dollar led to a reduction in natural catastrophe risk, which was offset by strong business growth and down-scaling of external hedges later in the year.

The natural catastrophe stress tests on page 65 show an overall decrease for all scenarios, except for Californian earthquake, which grew by 13%. US natural catastrophe exposures (particularly Atlantic hurricane) were lower following the January renewals, but rose later in the year due to

successful defence of the book, new business obtained, and the implementation of planned reductions in external hedges. As a result of this, Atlantic hurricane risk was slightly lower, while Californian earthquake risk increased. European windstorm and Japanese earthquake risk decreased by 18% and 5% respectively, driven primarily by the weakening of the euro and Japanese yen against the US dollar.

Management

Swiss Re writes property and casualty business using the four-eye principle: every transaction must be approved by at least two authorised individuals — with the exception of single risk acceptances, which can be authorised by one underwriter, with the four-eye principle taken care of by spot checks after acceptance. Each underwriter is assigned an individual underwriting authority based on technical skills and experience; any business exceeding this authority triggers a well-defined escalation process.

Large individual transactions that could materially affect the Group's and Business Units' risk exposure require independent review and sign-off by Risk Management before they can be authorised. This is part of our three-signature approval process (involving Swiss Re's underwriting, client management and risk management functions) that establishes the accountability of each of the parties for significant transactions.

We monitor accumulated exposure to single risks or to an underlying risk factor (such as Californian earthquake) on a Group-wide basis. We further manage our risk by external retrocession, risk swaps, or by transferring risk to capital markets through insurance-linked securities (such as the Successor and Mythen cat bond programmes).

Insurance risk stress tests: Single event losses with a 200-year return period¹

Pre-tax impact on economic capital in USD billions, as of 31 December

	2013	2014	Change in %
Natural catastrophes			
Atlantic hurricane	-4.5	-4.3	-5
Californian earthquake	-3.5	-4.0	13
European windstorm	-3.8	-3.1	-18
Japanese earthquake	-3.3	-3.1	-5
Life insurance			
Lethal pandemic	-2.9	-2.4	-16

¹ Single event losses with a 200-year return period show for example that there is a 0.5% probability over the next year that the loss from a single Atlantic hurricane event could exceed USD 4.3 billion. The impact excludes earned premiums for the business written and reinstatement premiums that could be triggered as a result of the event.

Life and health risk

Change from 2013 99% tail VaR



Description

Swiss Re's life and health insurance risk arises from the business we take on when providing mortality (death), longevity (annuity), and morbidity (illness and disability) coverage through both the Reinsurance Business Unit, and when acquiring run-off business through the Admin Re[®] Business Unit. In addition to potential shock events, such as a severe pandemic, we monitor and manage underlying risks inherent in life and health contracts (such as pricing and reserving risks) that arise when mortality, morbidity, or lapse experience deviates from expectations. The investment risk that is part of some life and health business is monitored and managed as financial market risk.

Developments in 2014

Swiss Re's overall life and health risk rose 23% to USD 8.0 billion: This increase was driven by an update of our life and health risk model as well as by the impact of a further decline in interest rates throughout the year.

In 2014, we enhanced our risk model to include the impact of mortality changes on premium income, as higher mortality will reduce the amount that Swiss Re receives in future premiums (see page 68). The increase in risk is amplified by a decline in interest rates to historically low levels. The long time horizon of life and health business means that a low interest rate environment has a direct economic impact on the present value of our best estimate of future cash flows.

For overall life and health risk, the increased impact from the inclusion of the mortality impact on premium income and from interest rates is partly offset by other model enhancements—in particular a more granular view of mortality changes in different regions—as well as by lower lethal pandemic risk.

The latter is reflected in the 16% decrease in the 200-year pandemic event shown in the table above. The decrease is driven by model enhancements and parameter updates—triggered by a review of how health systems would respond in the event of a pandemic—as well as an update of the age mix to reflect changes in Swiss Re's book.

Management

We have an aggregate Group limit governing the acceptance of all life and health risks, with separate individual limits for mortality, longevity and lethal pandemic risk.

At the Business Unit level, acceptance of life and health risks is governed by aggregated Business Unit limits. Local teams can write reinsurance within their allocated capacity and clearly defined boundaries, such as per-life retention limits for individual business.

Market exposure limits are in place for catastrophe and stop-loss business. We pay particular attention to accumulation risk in densely populated areas and apply limits for individual buildings.

As in property and casualty, all large, complex, or unusual transactions are reviewed and require individual approval from Swiss Re's underwriting, client management and risk management functions.

We further manage the risk exposure of Swiss Re's life and health book by external retrocession and also issue insurance-linked securities to reduce peak exposures.

FINANCIAL MARKET AND CREDIT RISK

Financial market and credit risk management involves identifying, assessing and controlling risks inherent in the financial markets, while monitoring compliance with our risk management standards. Both risk categories are managed centrally by our Financial Risk Management team, supported by dedicated Business Unit teams who manage risks assumed by our credit and surety underwriting business.

Our central Financial Risk Management team oversees financial market activities, proposes limits, provides quantitative risk assessment across financial risk factors, and monitors portfolio risk; it also develops tactical proposals for risk mitigation or risk reduction, reviews risk and valuation models, assesses asset valuations, and approves transactions and new products. These responsibilities are

exercised through defined governance procedures, including monthly reviews by our Senior Risk Committee, where the Head of Financial Risk Management is a voting member. Risk Management is responsible for both internally managed assets and Swiss Re's external investment mandates.

Financial market risk	Change from 2013 99% tail VaR 	
Description	Developments in 2014	
<p>Financial market risk is the risk that Swiss Re's assets or liabilities may be affected by movements in financial market prices or rates — such as equity prices, interest rates, credit spreads, foreign exchange rates, or real estate prices. Our financial market risk originates from two main sources: our own investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations. Swiss Re actively manages the potential mismatch in financial market risk between its liabilities and the assets that it holds.</p>	<p>In line with planned changes to Swiss Re's asset allocation, overall financial market risk decreased by 9% (see table on page 63). This was mainly driven by sales of listed equities (predominantly exchange-traded funds) and hedge fund holdings, partly offset by additional investments in corporate bonds.</p> <p>The table on page 67 shows Swiss Re's sensitivity to various market scenarios. The potential loss from credit spread widening increased in 2014, reflecting additional investments in corporate bonds as well as the impact of market movements in 2014. Our lower exposure to equity market moves is driven by a</p>	<p>reduction in our listed equity and hedge fund investments. The equity scenario includes listed and private equities, hedge funds, equity derivatives, equity exposure embedded in insurance liabilities (eg, variable annuities), fee income related to equities in unit-linked business, and funding obligations from equity holdings in Swiss Re pension funds. The lower loss from a fall in real estate markets is driven by a decline in the value of real estate holdings due to the weakening of major currencies against the US dollar. The decrease in the interest rate scenario resulted from the reduction of Swiss Re's net short duration position.</p>
Management	<p>our risk management standards. Risk Management provides daily and weekly Group-level reports on risks, and on specific limits for internally and externally managed investment mandates as well as for the Business Units. These reports track exposures, document limit usage (which is independently monitored by Financial Risk Management) and provide information on key risks that could affect the portfolio. Specific limits are assigned to the line of business heads, who seek to optimise their portfolios within those</p>	<p>limits. The reports are presented and discussed with those responsible for the relevant business line at the weekly Financial Market Risk Committee.</p> <p>This process is complemented by regular discussions between Financial Risk Management, Asset Management and the Group's external fund managers.</p>

Financial market and credit risk stress tests

Pre-tax impact on economic capital in USD billions, as of 31 December

	2013	2014	Change in %
Market scenarios			
100bp increase in credit spreads	-3.6	-3.8	4
30% fall in equity markets (incl. hedge funds)	-4.3	-3.2	-26
15% fall in real estate markets	-0.6	-0.6	-9
100bp parallel increase in global yield curves	0.6	0.4	-31
Credit stress test			
Credit default stress	-2.0	-2.3	16

Credit risk

Change from 2013 99% tail VaR



Description

Credit risk is primarily the risk of incurring a financial loss from the default of our counterparties or of third parties (credit spread risk falls under financial market risk). We also take account of the increase in risk from any deterioration in credit ratings. Credit risk arises from our investment activities as well as from liabilities underwritten by our Business Units and from retrocession. We distinguish between three types of credit exposure: the risk of issuer default from instruments in which Swiss Re invests or trades; counterparty exposure in a direct contractual relationship; and risk assumed by Swiss Re through reinsurance contracts.

Developments in 2014

In 2014, Swiss Re's credit risk – which includes default and migration (deterioration in credit rating) risk – decreased by 13% to USD 2.6 billion (see table on page 63). This was mainly a result of updated default and migration probabilities in the course of Swiss Re's regular model maintenance as well as, adjusted parameters for surety underwriting to better reflect correlation with financial market risk. These effects were partly offset by increased exposures from credit underwriting and investments in corporate bonds.

In contrast, the credit default stress test increased by 16% (see table above). The stress calculation was not affected by the updated risk model parameters which drove the decrease in the credit risk calculation. Instead, the increase in stress is mainly due to the higher exposure, in particular from credit underwriting.

Management

Credit risk is managed and monitored by our Credit Risk Management unit within the central Financial Risk Management team. This is supported by dedicated teams under the Business Unit CFOs that manage risks assumed through credit and surety underwriting.

In addition to the credit stress limit set by the Group EC, we assign aggregate credit limits by Business Unit, corporate counterparty and country. These limits are based on multiple factors, including the prevailing economic environment and the nature of the underlying credit exposures, as well as (for corporate counterparties) a detailed internal assessment of a corporate entity's

financial strength, industry position and other qualitative factors. Financial Risk Management is also responsible for regularly monitoring corporate counterparty credit quality and exposures, and compiling watch lists of cases that merit close attention.

Risk Management monitors and reports credit exposure and limits for the Group and its Business Units on a weekly basis. The reporting process is supported by a Group-wide credit exposure information system that contains all relevant data, including corporate counterparty details, ratings, credit risk exposures, credit limits, and watch lists. All credit practitioners in the Group and Business Units have

access to this system, thus providing the necessary transparency to implement exposure management strategies for individual counterparties, industry sectors, and geographic regions.

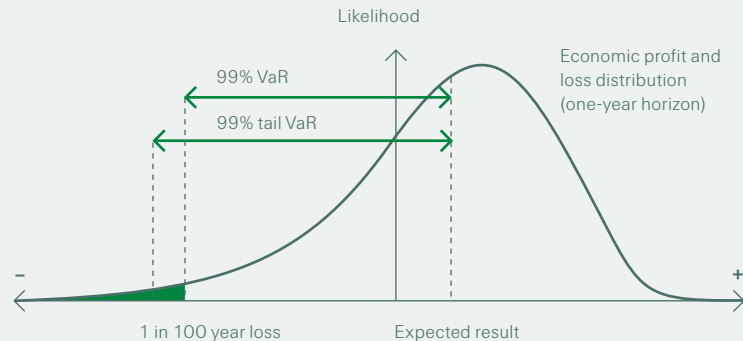
To take account of country risks other than from credit default, Swiss Re's Political and Sustainability Risk Management unit prepares specific country ratings in addition to the sovereign ratings used by the Group and the Business Units. These ratings are considered in the decision-making process, and cover political, economic and security-related country risks.

RISK MODELLING AND RISK MEASURES

We use a proprietary integrated risk model to determine the capital required to support the risks on Swiss Re's books, as well as to allocate risk-taking capacity to the different lines of business. Our internal model is based on two important principles. First, it applies an asset-liability management approach, which measures the net impact of risk on the economic value of both assets and liabilities. Second, it adopts an integrated perspective, recognising that a single risk factor can affect different sub-portfolios and that different risk factors can have mutual dependencies.

Swiss Re's risk model provides a meaningful assessment of the risks to which the Group is exposed and is an important tool for managing our business. It is used for determining capital requirements for internal purposes and for regulatory reporting under the Swiss Solvency Test. The model provides the basis for capital cost allocation in our Economic Value Management (EVM) framework, which is used for pricing, profitability evaluation and compensation decisions (see pages 55–56 for further information on EVM).

The model generates a probability distribution for the Group's annual economic profit and loss, specifying the likelihood that the outcome will fall within a given range. From this distribution, we derive a base capital requirement that captures the potential for severe, but rare, aggregate losses over a one-year time horizon. Swiss Re's risk model assesses the



potential economic loss at a specific confidence level. There is thus a possibility that actual losses may exceed the selected threshold. In addition, the reliability of the model may be limited when future conditions are difficult to predict. For this reason, we continuously review and update our model and its parameters to reflect changes in the risk environment and current best practice.

For example, in 2014, we further refined our model for life and health risk. In particular, we enhanced our understanding of the way future mortality rates may deviate from current best estimates. In addition to the effect of changing mortality rates on claims, the refined model now captures this risk on future premium income from existing contracts.

We complement our risk models by ensuring a sound understanding of the underlying risks and applying robust internal controls.

The risk measures derived from the integrated risk model are expressed as economic loss severities taken from the total economic profit and loss distribution. In line with the SST, Swiss Re measures its total capital requirement at 99% tail VaR (expected shortfall). This represents an estimate of the average annual loss likely to occur with a frequency of less than once in one hundred years. A less conservative measure is the 99% VaR, which measures the loss likely to be exceeded in only one year out of one hundred. 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred.

Operational risk

Operational risk is defined as the expected and unexpected economic impact of inadequate or failed internal processes, from people and systems, or from external events. This includes legal and regulatory compliance risks, as well as financial reporting risk, which represents the risk of a material misstatement in Swiss Re's financial statements that could cause significant reputational damage.

Swiss Re's approach to mitigating operational risk is based on three lines of defence:

- The first comprises the day-to-day risk management activities of individual risk takers in the Business Units as well as in corporate and enabling functions.
- The second line of defence is formed by independent oversight functions, such as Risk Management and Compliance.
- The third consists of independent audits of processes and procedures carried out by Group Internal Audit.

The purpose at every stage is to identify operational risks and establish mitigating controls in order to close potential gaps in the internal control framework in a cost-effective manner. All operational losses and incidents are reported and tracked in a central system to ensure that they are resolved as well as to avoid the recurrence of the same or similar events.

Members of Swiss Re's Group Executive Committee are required to assess and certify the effectiveness of the internal control system for their respective function or unit on a quarterly basis.

Strategic risk

Strategic risk for Swiss Re represents the risk that poor strategic decision-making, execution, or response to industry changes or competitor actions could harm Swiss Re's competitive position and thus its franchise value.

The primary responsibility for managing strategic risk lies with Swiss Re's Board of Directors, which establishes the Group's overall strategy. The Business Unit Boards of Directors are responsible for the strategic risk inherent in their specific strategy development and execution.

Strategic risks are addressed not only during the development of strategy but also as part of its implementation in the Group's business plan, where such risks are assessed through multi-year scenarios. These assessments consider potential risk exposures to both current and emerging risks as well as the operational risks associated with the activities required to execute Swiss Re's business plan.

As part of their independent oversight role, Risk Management, Compliance and Group Internal Audit are responsible for controlling the risk-taking arising from the implementation of the strategy.

Regulatory risk

Regulatory risk represents the potential impact of changes in the regulatory and supervisory regimes of the jurisdictions in which we operate. Swiss Re is strongly engaged in the regulatory debate, striving to mitigate potentially negative impacts while supporting reforms that could generate business opportunities, facilitate convergence of regulatory standards or enhance the overall health of the sector.

In 2014, the global regulatory agenda continued to accelerate. Governments and regulators rolled out new policies, and also conducted numerous consultations and field tests on regulations with direct impact on the insurance sector. Many reform proposals reflect the financial supervision agenda set by the G20, which includes a focus on internationally active insurance groups and global systemically important insurers (G-SIIs).

Swiss Re is actively engaged in dialogue on these initiatives and supports regulatory convergence as well as increased application of economic and risk-based principles. At the same time, we share the broad concerns of the insurance industry around the cumulative and cross-sectoral impacts of the reforms. Some proposed regulations are more appropriate for the banking industry and do not adequately take into account the nature and benefits of insurance and reinsurance. Regulatory fragmentation is another key concern — particularly in Europe, with the challenges in introducing Solvency II, but also in the context of cross-border dialogue and protectionist measures introduced in some growth markets.

There are also concerns that the design and implementation of regulatory reforms may increase procyclicality, which could exacerbate the effects of short-term market volatility. In 2014, Swiss Re participated in consultations with the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), the OECD, the European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission on the implications of regulatory reforms, in particular on long-term investments. For Solvency II, the institutions agreed to address the concerns regarding excessive capital requirements on long-term guarantee products.

The starting date for the implementation of Solvency II is now set for 1 January 2016. A decision on the equivalence of the Swiss supervisory system (including the Swiss Solvency Test) is expected in 2015.

In November, the FSB confirmed the list of companies designated as G-SIIs and at the same time announced a further revision of its methodology. G-SIIs will be subject to enhanced group supervision, recovery and resolution planning, as well as higher capital requirements; for this purpose, the FSB and IAIS have introduced a basic capital requirement applicable to G-SIIs effective from 2015. The designation of reinsurers as G-SIIs has been delayed until 2015 or beyond.

The IAIS also confirmed its commitment to developing a global insurance capital standard (ICS), which will be applicable to internationally active insurance groups — including Swiss Re — as part of the IAIS common framework for international group supervision.

Many countries, both in the developed and developing world, impose restrictions on the transaction of reinsurance business. Swiss Re is using its leading position in the Global Reinsurance Forum to actively promote the advantages of open and competitive markets, in particular the greater choice of reinsurers, products and prices, as well as benefits from diversification through the spreading of risk and increased financial stability.

Political risk

Political risk is broadly defined as the consequences of political events or actions that could have an adverse impact on Swiss Re's business or operations. As a global insurer and reinsurer, Swiss Re recognises the relevance of political developments to its risk portfolio, assets and operations both as threats to our operating model and opportunities for developing our business. We adopt a holistic view of political risk that covers developments in individual markets and jurisdictions, as well as cross-border issues such as war, terrorism, energy-related issues and international trade controls. In our analysis we examine the potential impact for Swiss Re and the wider insurance industry but also consider how political changes can open markets and provide new business opportunities.

Swiss Re's political risk specialists work closely with experts across the Group to deliver tailored support to various lines of business, as well as to provide insights on business development, regulatory and compliance issues and reputational risk. We support relevant underwriting practices with proprietary risk ratings which cover political, socio-economic and security-related country risks. Our political risk experts are also engaged in Group-wide issue monitoring and scenario activities related to political crises, and coordinate actions through dedicated cross-functional task forces that bring together experts from all relevant areas, including our underwriting, asset management and legal functions. In 2014, key issues addressed by such task forces included the continued impact of a potential Eurozone breakup as well as the Russia-Ukraine conflict.

Swiss Re seeks to raise awareness of political risk within the insurance industry and the broader public, and actively engages in dialogue with clients, media and other stakeholders. We also build relationships that expand our access to information and intelligence, and allow us to further enhance our methodologies and standards. For example, we participate in specialist events hosted by institutions such as the International Institute for Strategic Studies, the International Studies Association and the Risk Management Association, and maintain relationships with political risk specialists in other industries, think tanks and universities, as well as with governmental and non-governmental organisations.

Sustainability risk

Swiss Re's continued business success depends on maintaining the trust of our clients, investors, employees and society at large. Environmental, social and ethical risks may arise from individual business transactions and affect our reputation.

We have a long-standing commitment to sustainable business practices, active corporate citizenship and good governance. We mitigate potential damage to our reputation through clear corporate values, robust internal controls, and active dialogue with external stakeholders. All our employees are required to commit to and comply with the values and rules of behaviour defined in the Group Code of Conduct and further internal Swiss Re policies and guidelines. We support these values with processes that enable us to identify potential problems early.

Our Sustainability Risk Framework manages environmental, socio-economic, and related ethical risks that may be inherent in some of our business transactions. Currently, the framework contains eight policies for sectors or issues, each with pre-defined exclusions, criteria and quality standards. Transactions that could potentially compromise these standards must be submitted to our Sensitive Business Risks process, where they are reviewed by our sustainability experts (see also pages 117–118).

Swiss Re is a founding signatory of the UN Principles for Sustainable Insurance (UN PSI) and is currently co-chairing this initiative. The UN PSI creates a global framework for managing environmental, social and governance challenges. Swiss Re has been actively contributing to the initiative for several years and publicly reports progress against the UN principles in its annual Corporate Responsibility Report; the 2014 report will be published in May 2015.

In 2014, Swiss Re was again recognised as “insurance industry sector leader” in the Dow Jones Sustainability Indices. This is the eighth time since 2004 that Swiss Re has led the insurance sector in these rankings. The award highlights Swiss Re’s long-term commitment to sustainable business and the efforts to continuously and progressively embed sustainability into key business processes and operations.

For more information on our sustainability practices, see also the Corporate Responsibility section beginning on page 108.

Emerging risks

Anticipating possible developments in Swiss Re’s risk landscape is an important element of our integrated approach to enterprise risk management. We encourage pre-emptive thinking on risk in all areas of our business, combining our broad claims experience and risk expertise with a structured horizon-scanning process. The key objectives are to reduce uncertainty and help diminish the volatility of the Group’s results, while also identifying new business opportunities and raising awareness of emerging risks, both within the Group and across the industry.

Our Group-wide SONAR framework gives Swiss Re employees an interactive forum for raising potential emerging risks and reporting early signals. This information is complemented with insights from collaboration with think tanks, academic networks, international organisations and institutions. Findings are reported to senior management and other internal stakeholders, providing them with a prioritised overview of newly identified emerging risks, along with an estimate of their potential impact on Swiss Re’s business and recommendations for risk mitigation. We also publish an annual emerging risk report to share findings, raise awareness and initiate a risk dialogue with key external stakeholders.

To further advance risk awareness across the industry and beyond, Swiss Re continues to participate actively in strategic risk initiatives such as the International Risk Governance Council, and the CRO Forum’s Emerging Risk Initiative, which we chaired in 2014. Over the past year, we contributed to several publications on emerging risk topics, including the World Economic Forum’s annual Global Risks Report and a CRO Forum position paper, “Pushing the limits—managing risk in a faster, taller, bigger world”.

Corporate Governance

Swiss Re's Corporate Governance aims at safeguarding the sustainable interests of the company.

Overview	74
Group Structure and Shareholders	76
Capital Structure	79
Board of Directors	82
Executive Management	96
Shareholder's Participation Rights	102
Changes of Control and Defence Measures	103
Auditors	104
Information Policy	106

Overview

Shareholders approved the amendments to the Articles of Association required by the Ordinance Against Excessive Compensation with 93.71% of votes cast.

Swiss Re's corporate governance adheres to the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance, including its annex. It is also in line with the principles of the revised Swiss Code of Best Practice for Corporate Governance (Swiss Code) of September 2014, issued by *economiesuisse*, the Swiss business federation. Swiss Re, moreover, conforms to the Swiss Financial Market Supervisory Authority (FINMA) provisions on corporate governance, risk management and internal control systems, which came into effect on 1 January 2009. Swiss Re's corporate governance also complies with applicable local rules and regulations in all jurisdictions where it conducts business.

The Board of Directors assesses the Group's corporate governance on an annual basis against relevant best practice standards. It monitors corporate governance developments globally. It receives updates on developments affecting corporate governance and considers the relevant studies and surveys on corporate governance. Information on compensation of and loans to members of the Board of Directors and the Group Executive Committee (Group EC) is included in the Compensation Report on pages 120–144 of the Financial Report and their shareholdings in Swiss Re are listed in the notes to the Group financial statements.

Swiss Re's corporate governance framework

Swiss Re's Board of Directors is responsible for oversight, while the Group EC is responsible for managing operations. This structure maintains effective mutual checks and balances between the top corporate bodies. Our corporate governance principles and procedures are defined in a series of documents governing the organisation and management of the company. These include at the Group level:

- the Group Code of Conduct, outlining our compliance framework and setting out the basic legal and ethical principles and policies we apply globally;
- the Corporate Governance Guidelines (Guidelines), setting forth the Group's governance framework, principles and processes, ensuring efficient and consistent corporate governance across the Group;
- the Articles of Association, defining the legal and organisational framework of the Group's holding company (available at http://www.swissre.com/about_us/corporate_governance/corporate_regulations.html);

- the Group Bylaws, defining the governance structure within the Group as well as the responsibilities of the Board of Directors, Chairman, Board committees, Group EC, Group CEO and Regional Presidents and the relevant reporting procedures;
- the Board Committee Charters, outlining the duties and responsibilities of the Board committees; and
- the instructions and guidelines describing working methods, governance processes and timetables of the Board of Directors and Board committees.

In addition, they include at the Business Unit level:

- Business Unit Bylaws, defining the governance structure and principles within the Business Units Reinsurance, Corporate Solutions and Admin Re® in line with the Group Bylaws.

2014 Key focus areas

“Minder” ordinance

The “Ordinance Against Excessive Compensation at Public Corporations” (Ordinance) entered into effect on 1 January 2014. Swiss Re has undertaken the steps necessary to ensure timely compliance with the Ordinance’s requirements. The requirement of electronic voting had already been introduced at the Annual General Meeting 2013.

Articles of Association

The amendments to the Articles of Association required by the Ordinance were proposed to the Annual General Meeting 2014 for approval. It approved the amendments with 93.71% of the votes validly cast.

The amended Articles of Association provide that going forward the General Meeting of shareholders will annually and with binding effect vote on the aggregate compensation amounts of the Board of Directors and the Group EC separately. The General Meeting of shareholders will be voting on three

proposals submitted by the Board of Directors: in relation to 1. the maximum aggregate amount of the compensation of the Board of Directors for the next term of office; 2. the maximum aggregate amount awarded for the fixed and long-term compensation of the Group EC for the following financial year; and 3. the aggregate amount awarded for short-term compensation of the Group EC for the preceding completed financial year.

The amended Articles of Association also introduce limitations on additional mandates which can be held by

members of the Board of Directors and the Group EC. For further details please refer to pages 87 and 101.

In line with the amendments, the shareholders elected at the Annual General Meeting 2014 individually for a one-year term the members of the Board of Directors, the Chairman of the Board of Directors as well as the members of the Compensation Committee.

The Annual General Meeting 2014 also elected the Independent Proxy for a one-year term until the completion of the Annual General Meeting 2015.

KEY DEVELOPMENTS IN 2014 / 2015

Board of Directors and Group EC

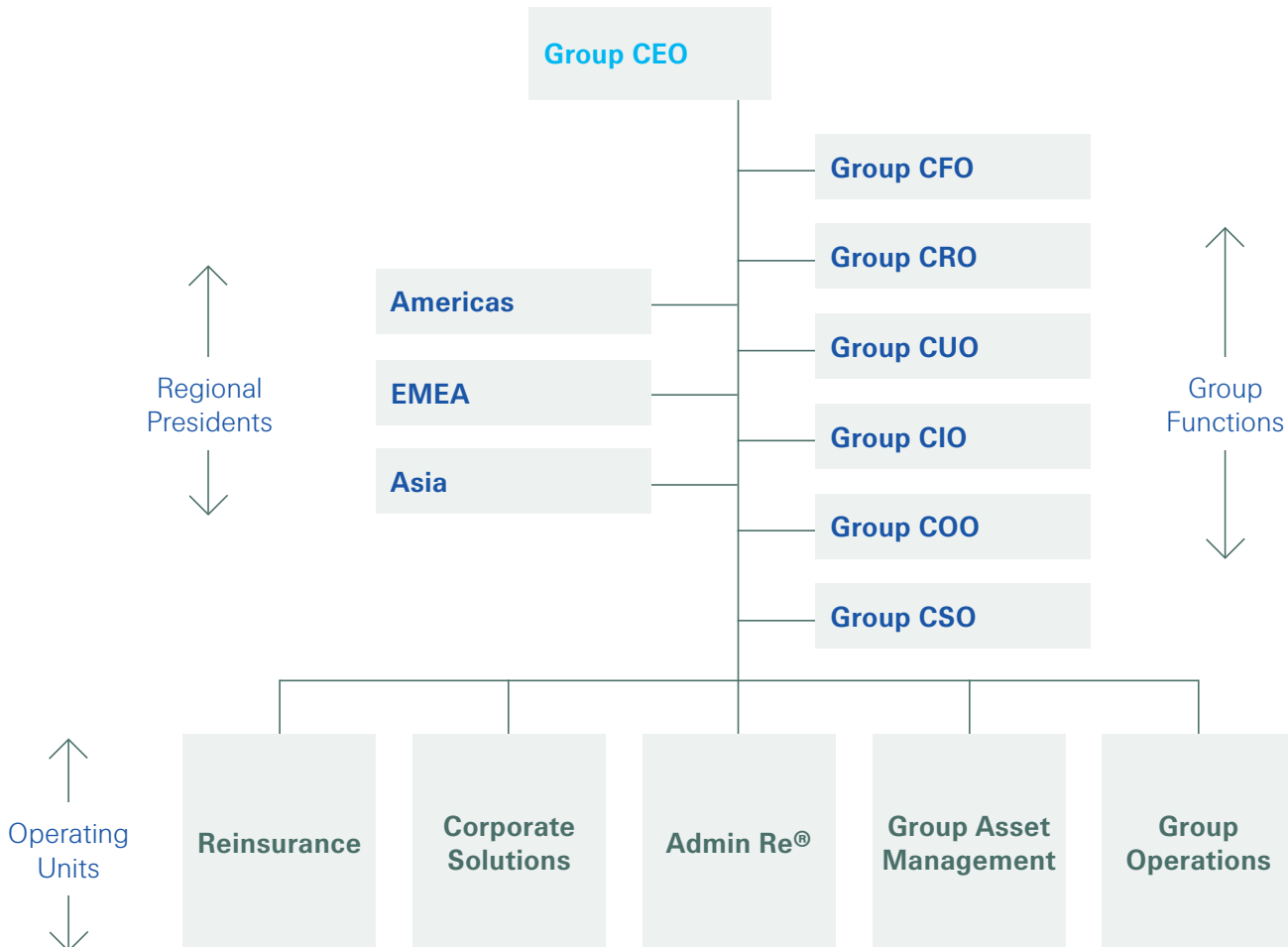
- Susan L. Wagner was elected as new member to the Board of Directors by the shareholders at the Annual General Meeting which took place in Zurich on 11 April 2014.
- In line with the Group’s diversity efforts, Swiss Re is pleased that with the election of Susan L. Wagner the Board of Directors currently has three female members, which represents 25% of the total number of Board members.
- Three members of the Board of Directors did not stand for re-election at the Annual General Meeting 2014:
Jakob Baer, John R. Coomber and Malcolm D. Knight.
- The Board of Directors nominated Trevor Manuel and Philip K. Ryan to be proposed to the Annual General Meeting 2015 for election as new members to the Board of Directors, whereas Raymund Brey will not stand for re-election.
- George Quinn stepped down as Group CFO and member of the Group EC as of 30 April 2014.
- David Cole, Group Chief Risk Officer since March 2011, was appointed Group CFO as of 1 May 2014.
- Patrick Raaflaub was appointed Group Chief Risk Officer and member of the Group EC as of 1 September 2014.

“Minder” ordinance

- The “Ordinance Against Excessive Compensation at Public Corporations” (Ordinance) became effective on 1 January 2014.
- Swiss Re had already introduced the possibility for shareholders to instruct the Independent Proxy electronically, via the investor web service on www.sherpany.com/swissre, for the Annual General Meeting 2013 and shareholders had that possibility again at the Annual General Meeting 2014.
- At the Annual General Meeting 2014 the shareholders were given the opportunity to vote on amendments to the Articles of Association ensuring compliance with the Ordinance’s requirements. The shareholders approved the amendments with 93.71% of the votes validly cast. In line with the Ordinance’s requirements the shareholders elected at the Annual General Meeting 2014 individually for a one-year term the members of the Board of Directors, the Chairman of the Board of Directors as well as the members of the Compensation Committee. The shareholders also elected the Independent Proxy for a one-year term until completion of the Annual General Meeting 2015.

Group Structure and Shareholders

OPERATIONAL GROUP STRUCTURE



Legal structure – listed and non-listed Group companies
 Swiss Re Ltd, the Group’s holding company, is a joint stock company, listed in accordance with the Main Standard on the SIX Swiss Exchange (ISIN CH0126881561), domiciled at Mythenquai 50/60 in 8022 Zurich, and organised under the laws of Switzerland. Information on its market capitalisation is provided on page 47 of this Financial Report. No other Group companies have shares listed. More information on the Group companies is provided in Note 19 to the Group financial statements on pages 230–232.

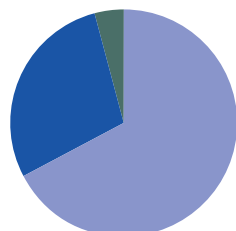
Swiss Re Ltd has a level I American Depositary Receipts (ADRs) programme in the US. The ADRs are traded over the counter (ISIN US8708861088, OTC symbol SSREY). Neither the ADRs, nor the underlying Swiss Re shares, are listed on a securities exchange in the US.

Significant shareholders and shareholder structure
 Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX Swiss Exchange is required to notify the company and the SIX Swiss Exchange if its direct or indirect holding reaches,

falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights pursuant to the entry into the commercial register, whether or not the voting rights can be exercised. Notifications must also include financial instruments, regardless of whether cash or physically settled, constituting a purchase or a sale position. Upon receipt of such notifications, the company is required to inform the public by publishing within two trading days the notification on the electronic platform of the SIX Swiss Exchange. The following table provides a summary of the current disclosure notifications:

Registered shareholders by type

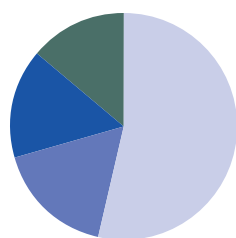
as of 31 December 2014



- 67.4% Institutional shareholders
- 28.6% Individual shareholders
- 4.0% Swiss Re employees

Registered shareholdings by country

as of 31 December 2014



- 53.8% Switzerland
- 17.0% United Kingdom
- 15.5% USA
- 13.7% Other registered shareholders

Significant shareholders

Shareholder ¹	Number of shares	% of voting rights and share capital	Creation of the obligation to notify
Warren E. Buffett and Berkshire Hathaway Inc.	11 262 000	3.10	10 June 2011
BlackRock, Inc.	11 134 246	3.09	26 September 2011
Franklin Resources, Inc.	11 399 387	3.08	18 August 2014

¹ In the context of Swiss Reinsurance Company Ltd's issuance of Perpetual Subordinated Capital Instruments in 2012 with a face value of USD 750 million with a stock settlement in registered shares of Swiss Re Ltd, Aquarius + Investments plc ("Aquarius") reported in compliance with SESTA and the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (Stock Exchange Ordinance – FINMA, SESTO-FINMA) a disclosable purchase and a sales position, each corresponding to 6.32% of the voting rights. Aquarius does not hold any registered shares of Swiss Re Ltd.

In addition, Swiss Re Ltd and Group companies held, as of 31 December 2014, directly and indirectly, 28 508 013 shares, representing 7.7% of voting rights and share capital. Neither the company nor the Group companies can exercise the voting rights of these shares.

All notifications received in 2014 are published at http://www.swissre.com/investors/shares/disclosure_of_shareholdings/

Shareholder structure

Registered – unregistered shares

As of 31 December 2014	Shares	in %
Shares registered in the share register ¹	195 887 287	52.8
Unregistered shares ¹	146 311 631	39.5
Shares held by Swiss Re	28 508 013	7.7
Total shares issued	370 706 931	100.0

¹ Excluding shares held by Swiss Re Ltd and Group companies

Registered shares with voting rights by shareholder type

As of 31 December 2014	Shareholders	in %	Shares	in %
Individual shareholders	72 600	87.9	56 064 863	28.6
Swiss Re employees	5 980	7.3	7 895 488	4.0
Total individual shareholders	78 580	95.2	63 960 351	32.6
Institutional shareholders	3 972	4.8	131 926 936	67.4
Total	82 552	100.0	195 887 287	100.0

Registered shares with voting rights by country

As of 31 December 2014	Shareholders	in %	Shares	in %
Switzerland	72 063	87.3	105 289 076	53.8
United Kingdom	1 125	1.4	33 292 290	17.0
USA	1 293	1.6	30 396 289	15.5
Other	8 071	9.7	26 909 632	13.7
Total	82 552	100.0	195 887 287	100.0

Registered shares with voting rights by size of holding

As of 31 December 2014	Shareholders	in %	Shares	in %
Holdings of 1–2 000 shares	75 907	92.0	31 008 355	15.8
Holdings of 2 001–200 000 shares	6 554	7.9	59 323 843	30.3
Holdings of > 200 000 shares	91	0.1	105 555 089	53.9
Total	82 552	100.0	195 887 287	100.0

Cross-shareholdings

Swiss Re has no cross-shareholdings in excess of 5% of capital or voting rights with any other company.

Capital Structure

Capital

As of 31 December 2014, the fully paid-in share capital of Swiss Re Ltd amounted to CHF 37 070 693.10. It is divided into 370 706 931 registered shares, each with a par value of CHF 0.10.

The table on page 80 provides an overview of the issued, conditional and authorised capital of Swiss Re Ltd as of 31 December 2014 and 31 December 2013, respectively.

More information is provided in the sections “Conditional and authorised capital in particular” below and “Changes in capital” on page 80.

Conditional and authorised capital in particular

Conditional capital

As of 31 December 2014, the conditional capital of Swiss Re Ltd consisted of the following categories:

Conditional capital for Equity-Linked Financing Instruments

The share capital of the company may be increased up to CHF 5 000 000 by issuing a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Such shares are issued through the voluntary or mandatory exercise of conversion and/or option rights granted by the company or Group companies in connection with bonds or similar instruments, including loans or other financial instruments (Equity-Linked Financing Instruments).

Existing shareholders’ subscription rights are excluded. The then current holders of the conversion and/or option rights granted in connection with Equity-Linked Financing Instruments shall be entitled to subscribe for the new registered shares. Subject to the Articles of Association, the Board of Directors may decide to restrict or exclude existing shareholders’ advance subscription rights with regard to these Equity-Linked Financing Instruments. Such decision may be made in order to issue Equity-Linked Financing Instruments on national and/or international capital markets (including private placements to selected strategic investors), and/or to finance or re-finance the acquisition of companies, parts of companies, participations or new investments planned by the company and/or Group companies.

If advance subscription rights are excluded, then the Equity-Linked Financing Instruments are to be placed at market conditions, the exercise period is not to exceed ten years for option rights and twenty years for conversion rights, and the conversion or exercise price for the new registered shares is to be set at least in line with the market conditions prevailing at the date on which the Equity-Linked Financing Instruments are issued.

The acquisition of registered shares through the exercise of conversion or option rights and any further transfers of registered shares shall be subject to the restrictions specified in the Articles of Association.

Authorised capital

As of 31 December 2014, the authorised capital of Swiss Re Ltd was as presented in the table below.

According to the Articles of Association, the Board of Directors is authorised to increase the share capital of the company at any time up to 10 April 2015 by an amount not exceeding CHF 8 500 000 through the issue of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The Board of Directors determines the date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non-exercised subscription rights.

The subscription rights of existing shareholders may not be excluded with respect to a maximum of CHF 5 000 000 through the issue of up to 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital.

The Board of Directors may exclude or restrict the subscription rights of existing shareholders with respect to a maximum of CHF 3 500 000 through the issue of up to 35 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital. Such exclusion or restriction relates to the use of shares in connection with mergers, acquisitions (including take-over) of companies, parts of companies or holdings, participations or new investments planned by the company and/or Group companies, financing or re-financing of such mergers,

acquisitions or new investments, the conversion of loans, securities or equity securities. Exclusion and restriction may also relate to improving the regulatory capital position of the company or Group companies, including private placements, in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so.

The subscription and acquisition of the new registered shares, as well as each subsequent transfer of registered shares, shall be subject to the restrictions specified in the Articles of Association.

Joint provision for conditional capital for Equity-Linked Financing Instruments and for the above-mentioned authorised capital

The total of registered shares issued from the authorised capital, where the existing shareholders' subscription rights were excluded, and from the shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 74 000 000 registered shares up to 10 April 2015.

**Changes in capital
Changes in 2014**

No changes in share capital occurred during 2014.

Changes in 2013

The Annual General Meeting 2013 approved that the limitation included in the provisions of the Articles of Association to issue registered shares from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked

Financing Instruments were excluded, be extended to 10 April 2015 and the maximum number of shares under the same paragraph be set to 74 000 000 from 74 140 927 previously.

The Annual General Meeting 2013 also approved that the authority to issue registered shares from authorised capital as set forth in the Articles of Association be extended to 10 April 2015 and that the limitation included in the Articles of Association to issue registered shares from authorised capital where the existing shareholders' subscription rights were excluded, be extended to 10 April 2015 and the maximum number of registered shares under that provision be set to 74 000 000 from 74 140 927 previously.

The Annual General Meeting 2013 further approved the cancellation of the authorised capital created for the use as consideration for any remaining minority shareholders of Swiss Reinsurance Company Ltd for any voluntary or mandatory surrendering of their shares in Swiss Reinsurance Company Ltd after the execution of the public exchange offer at any time up to 20 May 2013 by an amount not exceeding CHF 4 005 061.30 through the issue of up to 40 050 613 registered shares, payable in full, each with a nominal value of CHF 0.10.

Changes in 2012 and previous years

No changes in share capital of Swiss Re Ltd occurred during 2012.

Information about changes in share capital of our former parent company Swiss Reinsurance Company Ltd for earlier years is provided in the Annual Reports of this company for the respective years.

	31 December 2013		31 December 2014	
	Capital in CHF	Shares	Capital in CHF	Shares
Share capital	37 070 693.10	370 706 931	37 070 693.10	370 706 931
Conditional capital				
for Equity-Linked Financing Instruments	5 000 000.00	50 000 000	5 000 000.00	50 000 000
Authorised capital				
regular	8 500 000.00	85 000 000	8 500 000.00	85 000 000

Shares

All shares issued by Swiss Re Ltd are fully paid-in registered shares, each with a par value of CHF 0.10. Each share carries one vote. There are no categories of shares with a higher or limited voting power, privileged dividend entitlement or any other preferential rights, nor are there any other securities representing a part of the company's share capital.

The company cannot exercise the voting rights of treasury shares. As of 31 December 2014, shareholders had registered 195 887 287 shares for the purpose of exercising their voting rights, out of a total of 370 706 931 shares issued. As of 31 December 2014, 342 199 440 shares were entitled to dividend payment.

Profit-sharing and participation certificates

Swiss Re Ltd has not issued any profit-sharing and participation certificates.

Limitations on transferability and nominee registrations

Free transferability

The company maintains a share register for the registered shares, in which owners and usufructuaries are entered.

The company may issue its registered shares in the form of single certificates, global certificates and intermediated securities. The company may convert its registered shares from one form into another at any time and without the approval of the shareholders. The shareholders have no right to demand a conversion into a specific form of registered shares. Each shareholder may, however, at any time request a written confirmation from the company of the registered shares held by such shareholder, as reflected in the company's share register.

The registered shares are administered as intermediated securities. The transfer of intermediated securities and furnishing of collateral in intermediated securities must conform to the Intermediary-Held Securities Act. The transfer and furnishing of collateral by assignment is excluded.

Persons acquiring registered shares will, upon application, be entered in the share register without limitation as shareholders with voting power if evidence of the acquisition of the shares is provided and if they expressly declare that they have acquired the shares in their own name and for their own account and, where applicable, that they are compliant with the disclosure requirement stipulated by the Federal Act on Stock Exchanges and Securities Trading (SESTA). The Board of Directors is allowed to remove the entry of a shareholder with voting rights from the share register retroactively from the date of entry if the entry was obtained under false pretences or if the owner, whether acting alone or as part of a group, has breached notification rules.

Admissibility of nominee registrations

Persons not expressly declaring in their application for entry in the share register that they are holding shares for their own account (nominees) are entered without further inquiry in the share register of Swiss Re Ltd as shareholders with voting rights of up to a maximum of 2% of the outstanding share capital available at the time. Additional shares held by such nominees that exceed the limit of 2% of the outstanding share capital are entered in the share register with voting rights only if such nominees disclose the names, addresses and shareholdings of any persons for whose account the nominee is holding 0.5% or more of the outstanding share capital. In addition, such nominees must comply with the disclosure requirements of the SESTA.

Convertible bonds and options

Convertible bonds

As of 31 December 2014, neither Swiss Re Ltd nor any of its subsidiaries has any bonds outstanding that are convertible into equity securities of Swiss Re Ltd solely at the option of bondholders. The same applied as of 31 December 2013.

In 2012, Swiss Reinsurance Company Ltd issued CHF 320 000 000 of 7.25% perpetual subordinated notes and USD 750 000 000 of 8.25% perpetual subordinated capital instruments both with stock settlement (collectively the "subordinated securities"), which provide Swiss Reinsurance Company Ltd with options to initiate settlement of the subordinated securities by delivery of shares of Swiss Re Ltd.

Options

Valid exercise of stock options granted to Swiss Re employees are either cash or physically settled (with treasury shares). The number of issued shares will not be affected.

For details on stock options granted to Swiss Re employees, see Note 15 to the Group financial statements on pages 224–226.

Board of Directors

The Board of Directors is guided by the goal of sustainable corporate development.

MEMBERS OF THE BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors of Swiss Re Ltd, the holding company of the Swiss Re Group, consists of at least seven members. As of 31 December 2014 the Board of Directors consisted of the following members:

Name	Nationality	Age	Initial election ¹
Walter B. Kielholz (Chairman)	Swiss	63	1998
Mathis Cabiallavetta (Vice Chairman)	Swiss	69	2008
Renato Fassbind (Vice Chairman, Lead Independent Director)	Swiss	59	2011
Raymund Breu	Swiss	69	2003
Raymond K.F. Ch'ien	Chinese	62	2008
Mary Francis	British	66	2013
Rajna Gibson Brandon	Swiss	52	2000
C. Robert Henrikson	American	67	2012
Hans Ulrich Maerki	Swiss	68	2007
Carlos E. Represas	Mexican	69	2010
Jean-Pierre Roth	Swiss	68	2010
Susan L. Wagner	American	53	2014

¹ The members were initially elected to the Board of Directors of Swiss Reinsurance Company Ltd, the Group's former parent company. All members were subsequently elected to the Board of Directors of the Group's new holding company, Swiss Re Ltd, on 17 February 2011 with the exception of the following members who were elected to the Board of Directors of Swiss Re Ltd as follows: Renato Fassbind was elected on 15 April 2011, C. Robert Henrikson was elected on 13 April 2012, Mary Francis was elected on 10 April 2013 and Susan L. Wagner was elected on 11 April 2014.

Company Secretary

Felix Horber

Independence

Swiss Re's Group Bylaws stipulate that the Board of Directors consists of at least a majority of independent members. To be considered independent, a director may not be employed as an executive officer of the Group, or have been employed in such function for the previous three years. Moreover, he or she must not have a material relationship with any part of the Group, directly or as a partner, director, or shareholder of an organisation that has a material relationship with the Group. Furthermore, in line with the Group's independence criteria, a full-time Chairman is not considered independent. All members of the Board of Directors, with the exception of the full-time Chairman, meet our independence criteria.

The members of the Board of Directors are also subject to procedures to avoid any conflict of interest.



Walter B. Kielholz

Chairman, non-executive

Born: 1951

Nationality: Swiss

Career

Walter B. Kielholz began his career at the General Reinsurance Corporation, Zurich, in 1976 where he held several positions in the US, UK and Italy before assuming responsibility for the company's European marketing. In 1986, he joined Credit Suisse, where he was responsible for relationships with large insurance groups. He joined Swiss Re in 1989 where he became an Executive Board member in 1993 and was Chief Executive Officer from 1997 to 2002. He was Vice Chairman from 2003 until he was nominated Chairman in 2009. In addition, he chairs the Chairman's and Governance Committee of the Swiss Re Board. Walter B. Kielholz was also a member of the Board of Directors of Credit Suisse Group AG from 1999 to May 2014 and served as Chairman from 2003 to 2009.

External appointments

- Chairman of the European Financial Services Round Table
- Vice Chairman of the Institute of International Finance
- Member of the Board of Trustees of Avenir Suisse
- Chairman of the Zurich Art Society

Educational background

- Business finance and accounting degree, University of St. Gallen, Switzerland



Mathis Cabiallavetta

Vice Chairman, non-executive&independent

Born: 1945

Nationality: Swiss

Career

Mathis Cabiallavetta held several positions at UBS AG from 1971, including President of the Group Executive Board in 1996 and Chairman in 1998. He joined Marsh&McLennan Companies in 1999 and was Vice Chairman of the company from 2001 to 2004. He is a former member of the Bank Council of the Swiss National Bank and a past Vice Chairman of the Board of Directors of the Swiss Bankers Association. He was also a member of the Committee of the Board of Directors of the Swiss Stock Exchange and the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York. Mathis Cabiallavetta was elected to Swiss Re's Board of Directors in 2008 and became Vice Chairman in March 2009. He chairs the Finance and Risk Committee as well as the Investment Committee and is a member of the Chairman's and Governance Committee.

External appointments

- Board member of BlackRock, Inc.
- Executive Advisory Board member of General Atlantic Partners (GAP)

Educational background

- Bachelor's degree in Economics, University of Montreal, Canada



Renato Fassbind

Vice Chairman and Lead Independent Director, non-executive & independent

Born: 1955

Nationality: Swiss

Career

After two years with Kunz Consulting AG, Renato Fassbind joined F. Hoffmann-La Roche AG in 1984, becoming Head of Internal Audit in 1988. From 1986 to 1987, he worked as a public accountant with Peat Marwick in New Jersey, USA. In 1990, he joined ABB Ltd as Head of Corporate Staff Audit and, from 1997 to 2002, was Chief Financial Officer and member of the Group Executive Committee. In 2002, he joined Diethelm Keller Holding Ltd as Group Chief Executive Officer. From 2004 to 2010, he was Chief Financial Officer and member of the Executive Board of Credit Suisse Group AG. Renato Fassbind was elected to Swiss Re's Board of Directors in 2011. He became Vice Chairman in April 2012 and Lead Independent Director in April 2014. He chairs the Audit Committee and is a member of the Chairman's and Governance Committee and the Compensation Committee.

External appointments

- Board member of Kühne + Nagel International Ltd
- Board member of the Swiss Federal Audit Oversight Authority

Educational background

- PhD in Economics, University of Zurich, Switzerland
- Certified Public Accountant (CPA), Denver, USA

For full biographies, please visit: swissre.com/about_us/leadership/



Raymund Breu

Member, non-executive & independent

Born: 1945

Nationality: Swiss

Career

Raymund Breu started in group treasury at Sandoz in 1975, rising to Chief Financial Officer of Sandoz Corporation in New York in 1985. In 1990, he became Group Treasurer of Sandoz Ltd and in 1993 Head of Group Finance and a member of the Executive Board. From 1996 to 2010, he was Chief Financial Officer and member of the Executive Committee of Novartis.

Raymund Breu was elected to Swiss Re's Board of Directors in 2003 and is a member of the Finance and Risk Committee and the Investment Committee.

External appointments

- None

Educational background

- PhD in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland



Raymond K.F. Ch'ien

Member, non-executive & independent

Born: 1952

Nationality: Chinese

Career

Raymond K.F. Ch'ien was Group Managing Director of Lam Soon Hong Kong Group from 1984 to 1997 and Chairman of CDC Corporation from 1999 to 2011. He was elected to Swiss Re's Board of Directors in 2008 and is a member of the Audit Committee and the Investment Committee.

External appointments

- Chairman of the Boards of Directors of MTR Corporation Ltd and Hang Seng Bank Ltd
- Board member of China Resources Power Holdings Company Ltd, The Wharf (Holding) Ltd and the Hong Kong and Shanghai Banking Corporation Ltd
- Member of the Economic Development Commission of the Government of the Hong Kong SAR
- Honorary president of the Federation of Hong Kong Industries
- Trustee of the University of Pennsylvania

Educational background

- PhD in Economics, University of Pennsylvania, USA



Mary Francis

Member, non-executive & independent

Born: 1948

Nationality: British

Career

Mary Francis joined the UK Civil Service in 1971, focusing on financial and economic policy. She held a number of senior positions including Financial Counsellor at the British Embassy in Washington DC from 1990 to 1992, Private Secretary to the Prime Minister from 1992 to 1995 and Deputy Private Secretary to the Queen from 1995 to 1999. Between 1999 and 2005 she was Director General of the Association of British Insurers. She was a non-executive director of the Bank of England from 2001 to 2007 and a member of the board of directors of Aviva plc from 2005 to 2012. Mary Francis was elected to Swiss Re's Board of Directors in 2013 and is a member of the Audit Committee and the Finance and Risk Committee.

External appointments

- Senior independent director of Centrica plc
- Board member of EnscO plc
- Senior advisor to Chatham House

Educational background

- Masters of Arts, Newnham College, University of Cambridge, United Kingdom



Rajna Gibson Brandon

Member, non-executive & independent
Born: 1962
Nationality: Swiss

Career

Rajna Gibson Brandon is a Professor of Finance at the University of Geneva and Director of the Geneva Finance Research Institute. She held professorships at the University of Lausanne from 1991 to 2000 and the University of Zurich from 2000 to 2008. She was a member of the Swiss Federal Banking Commission from 1997 to 2004. She was elected to Swiss Re's Board of Directors in 2000 and is a member of the Finance and Risk Committee and the Investment Committee.

External appointments

- Board member of Banque Privée Edmond de Rothschild S.A.
- Director of Research of the Swiss Finance Institute

Educational background

- PhD in Economics and social sciences, University of Geneva, Switzerland



C. Robert Henrikson

Member, non-executive & independent
Born: 1947
Nationality: American

Career

C. Robert Henrikson was Chairman and Chief Executive Officer of MetLife, Inc. from 2006 to 2011. Before, he held senior positions in MetLife's individual, group and pension businesses and became Chief Operating Officer of the company in 2004. He is a former Chairman of the American Council of Life Insurers, a former Chairman of the Financial Services Forum, Director Emeritus of the American Benefits Council and a former member of the U.S. President's Export Council. He was elected to Swiss Re's Board of Directors in 2012 and chairs the Compensation Committee. In addition, he is a member of the Chairman's and Governance Committee and the Finance and Risk Committee.

External appointments

- Board member of Invesco Ltd
- Board member of AmeriCares and New York Philharmonic
- Member of the Boards of Trustees of Emory University, S.S. Huebner Foundation for Insurance Education and Indian Springs School

Educational background

- Bachelor of Arts, University of Pennsylvania, USA
- Juris Doctorate, Emory University, USA



Hans Ulrich Maerki

Member, non-executive & independent
Born: 1946
Nationality: Swiss

Career

Hans Ulrich Maerki worked for IBM for 35 years, starting in 1973. From 1993 to 1995, he was General Manager of IBM Switzerland. He was appointed Chairman of the Board of Directors of IBM Europe, Middle East and Africa (EMEA) in 2001 and was Chief Executive Officer of IBM EMEA from 2003 to 2005. Hans Ulrich Maerki was elected to Swiss Re's Board of Directors in 2007 and is a member of the Audit Committee and the Compensation Committee.

External appointments

- Board member of Mettler-Toledo International Inc.
- Member of the Foundation Board of the Schulthess-Klinik Zurich
- Member of the international advisory boards of the École des Hautes Études Commerciales (EDHEC), Paris, the IESE Business School University of Navarra and Bocconi University Milan

Educational background

- Master of Science in Business Administration, University of Basel, Switzerland
- Senior Fellow of Advanced Leadership, Harvard University, Cambridge, USA



Carlos E. Represas

Member, non-executive & independent
 Born: 1945
 Nationality: Mexican

Career

Between 1968 and 2004, Carlos E. Represas held various senior positions at Nestlé in the US, Latin America and Europe, including Executive Vice President and Head of the Americas of Nestlé S.A. in Switzerland from 1994 to 2004. He was Chairman of the Board of Nestlé Group Mexico from 1983 to 2010. Carlos E. Represas was elected to Swiss Re's Board of Directors in 2010 and is a member of the Compensation Committee.

External appointments

- Board member of Bombardier Inc. and Merck & Co. Inc.
- Chairman Latin America, Bombardier Inc.
- President of the Mexico Chapter of the Latin American Chamber of Commerce in Switzerland
- Member of the Latin America Business Council (CEAL)

Educational background

- Economics degree, National University of Mexico, Mexico
- Industrial economics degree, National Polytechnic Institute, Mexico



Jean-Pierre Roth

Member, non-executive & independent
 Born: 1946
 Nationality: Swiss

Career

Jean-Pierre Roth joined the Swiss National Bank (SNB) in 1979. He was Chairman of the SNB Governing Board from 2001 to 2009, during which time he also served as the Swiss governor of the International Monetary Fund. From 2001, he was also a member and, from 2006, Chairman of the Board of the Bank for International Settlements. He was a Swiss Representative on the Financial Stability Board from 2007 to 2009. Jean-Pierre Roth was elected to Swiss Re's Board of Directors in 2010 and is a member of the Investment Committee.

External appointments

- Chairman of the Board of Directors of Geneva Cantonal Bank
- Board member of Nestlé S.A., Swatch Group AG and MKS (Switzerland) SA

Educational background

- Economics degree, University of Geneva, Switzerland
- PhD in Political Science, Graduate Institute of International Studies, Geneva, Switzerland



Susan L. Wagner

Member, non-executive & independent
 Born: 1961
 Nationality: American

Career

Susan L. Wagner is a co-founder of BlackRock, where she served as Vice Chairman and a member of the Global Executive and Operating Committees before retiring in mid-2012. Over the course of her nearly 25 years with the firm, Susan L. Wagner served in several roles such as Chief Operating Officer, Head of Strategy, Corporate Development, Investor Relations, Marketing and Communications, Alternative Investments and International client businesses. Prior to founding BlackRock, Susan L. Wagner was a Vice President at Lehman Brothers supporting the investment banking and capital markets activities of mortgage and savings institutions. Susan L. Wagner was elected to Swiss Re's Board of Directors in 2014 and is a member of the Finance and Risk Committee and the Investment Committee.

External appointments

- Board member of BlackRock, Inc. and Apple Inc.
- Member of the Boards of Trustees of the Hackley School and Wellesley College

Educational background

- BA in English and economics, Wellesley College, USA
- MBA in Finance, University of Chicago, USA

Information about managerial positions and significant business connections of non-executive directors

Walter B. Kielholz, Chairman of the Board of Directors since 1 May 2009, was Swiss Re's CEO from 1 January 1997 to 31 December 2002. In line with Swiss Re's revised independence criteria, Walter B. Kielholz, being a full-time Chairman, is not considered independent. No other director has ever held a management position within the Group. None of the members of the Board of Directors has any significant business connections with Swiss Re Ltd or any of the Group companies.

Other mandates, activities and functions

In line with Swiss Re Ltd's Articles of Association the members of the Board of Directors may not hold more than ten additional mandates of which no more than four additional mandates can be with listed companies. Mandates (i) in companies which are controlled by Swiss Re Ltd or which control Swiss Re Ltd, (ii) mandates held at the request of Swiss Re Ltd or by companies controlled by Swiss Re Ltd as well as (iii) mandates in associations, charitable organisations, foundations, trusts, employee welfare foundations, investment companies, equity partnerships or limited liability partnerships are not subject to the above limitations. No member of the Board of Directors may hold more than five mandates as set out in (ii) above and not more than fifteen mandates as set out in (iii) above. Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

The Board of Directors ensures that in any event the number of external mandates held by members of the Board of Directors does not conflict with their commitment, availability, capacity and independence required in fulfilling their role as Board member.

All Board members comply with the requirements on external mandates set out in the Articles of Association.

Any activities of Board members in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, which are material, are stated in each of the directors' biographies, which can be found on pages 83–86.

Changes in 2014

At the Annual General Meeting on 11 April 2014, Susan L. Wagner was elected as a new non-executive and independent member of the Board of Directors for a one-year term of office. At the same time, the shareholders re-elected Walter B. Kielholz, Raymund Breu, Mathis Cabiallavetta, Raymond K.F. Ch'ien, Renato Fassbind, Mary Francis, Rajna Gibson Brandon, C. Robert Henrikson, Hans Ulrich Maerki, Carlos E. Represas and Jean-Pierre Roth for a one-year term of office as members of the Board of Directors. Jakob Baer, John R. Coomber and Malcolm D. Knight did not stand for re-election.

Election and term of office Election procedure

Members of the Board of Directors are elected individually by the General Meeting of shareholders for a one-year term.

The Chairman's and Governance Committee evaluates candidates for Board membership and makes recommendations to the Board for election or re-election proposals. The Board nominates candidates for Board membership for election at the General Meeting of shareholders, ensuring that the Board retains an adequate size and well-balanced composition and that the majority of the Board remains independent.

The Board aims to assemble among its members the requisite balance of managerial expertise and knowledge from different fields required for sound independent decision-making according to business needs. Potential new candidates are assessed against Board approved selection criteria, which include: integrity, selected skills and qualifications, experience, communication ability and community

standing. Swiss Re's Board members represent a wide range of backgrounds and capabilities in such key areas as insurance and reinsurance, finance, accounting, capital markets, risk management and regulatory topics. The company aims to constantly develop further the abilities of its Board members. Newly elected Board members receive a comprehensive introduction in order to gain a sound understanding of the Group's organisation and business, allowing them to perform their duties effectively. All Board members update and enhance their knowledge of emerging business trends and risks through regular meetings with internal and external experts throughout the year.

Term of office

Effective since the Annual General Meeting 2014, the term is one year.

Members whose term has expired are immediately eligible for re-election. As a rule no member shall serve as a member of the Board after reaching the age of 70. In the calendar year reaching that age a member shall tender his resignation at the respective Annual General Meeting. The Board can exempt a member from this age limit under exceptional circumstances.

The term of office of a committee member is described in the section on the committees of the Board of Directors.

First election date

The initial election year of each member is stated in the table on page 82.

Nominations for re-election and election by the Annual General Meeting on 21 April 2015

On 1 January 2014 the Ordinance Against Excessive Compensation at Public Corporations entered into effect. It provides that since the Annual General Meeting 2014 the shareholders will annually elect the members of the Board of Directors, the Chairman of the Board of Directors, as well as the members of the Compensation Committee, individually and separately, for one-year terms.

The Board of Directors proposes that the following Board members be re-elected for a one-year term:

- Walter B. Kielholz
- Mathis Cabiallavetta
- Renato Fassbind
- Raymond K.F. Ch'ien
- Mary Francis
- Rajna Gibson Brandon
- C. Robert Henrikson
- Hans Ulrich Maerki
- Carlos E. Represas
- Jean-Pierre Roth
- Susan L. Wagner

Furthermore, the Board of Directors proposes

- Trevor Manuel
- Philip K. Ryan

to the Annual General Meeting 2015 for first-time election as members of the Board of Directors for a one-year term.

Trevor Manuel was a minister in the South African government for more than 20 years, serving under the presidents Mandela, Mbeki, Motlanthe and Zuma. He served as Finance Minister from 1996 to 2009. Before his retirement from public office in 2014, he was Minister in the Presidency responsible for South Africa's National Planning Commission. Throughout his career, he assumed a number of *ex officio* positions on international bodies, including the United Nations Commission for Trade and Development (UNCTAD), the World Bank, the International Monetary Fund, the G20, the African Development Bank and the Southern African Development Community. He has also served on a

number of voluntary public interest commissions including Africa Commission, Global commission on Growth and Development, Global Ocean Commission, and the New Climate Economy. He holds a National Diploma in Civil and Structural Engineering from the Peninsula Technikon, South Africa and completed an Executive Management Programme at the Stanford University, USA.

Philip K. Ryan held various positions with Credit Suisse from 1985 to 2008, including Chairman of the Financial Institutions Group (UK), Chief Financial Officer of Credit Suisse Group (Switzerland), Chief Financial Officer of Credit Suisse Asset Management (UK) and Managing Director of CSFB Financial Institutions Group (USA/UK). He was Chief Financial Officer of the Power Corporation of Canada from January 2008 until May 2012. In that capacity, he was a director of IGM Financial Inc., Great-West Lifeco Inc., and several of their subsidiaries, including Putnam Investments. Philip K. Ryan is Chairman of Swiss Re America Holding Corporation, the holding company for Swiss Re's US reinsurance operations. He earned an MBA from the Kelly School of Business, Indiana University, USA, and a Bachelor of Industrial Engineering from the University of Illinois, USA.

The Board of Directors proposes that the following Board member be re-elected as Chairman of the Board of Directors, for a one-year term:

- Walter B. Kielholz

The Board of Directors also proposes that the following Board members be re-elected as members of the Compensation Committee, for a one-year term:

- Renato Fassbind
- C. Robert Henrikson
- Hans Ulrich Maerki
- Carlos E. Represas

Organisational structure of the Board of Directors

The Board of Directors constitutes itself with the exception of the Chairman and the members of the Compensation Committee who are elected by the shareholders at the Annual General Meeting of shareholders. The Board of Directors elects among its members one or more Vice Chairmen and a Lead Independent Director as well as the chairpersons and members of the Board committees (with the exception of the members of the Compensation Committee). It appoints its secretaries who do not need to be members of the Board.

The organisation of the Board of Directors is set forth in the Group Bylaws, which define the responsibilities of the Board of Directors, its committees and the Group EC, as well as the respective reporting procedures.

The Chairman's and Governance Committee and the full Board at least annually review the Group Bylaws to ensure their continued effectiveness and compliance with the Articles of Association, applicable laws, regulations and best practice.

BOARD COMMITTEE MEMBERSHIPS

Name	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Finance and Risk Committee	Investment Committee
Walter B. Kielholz	■ (chair)				
Mathis Cabiallavetta	■			■ (chair)	■ (chair)
Renato Fassbind	■	■ (chair)	■		
Raymund Breu				■	■
Raymond K.F. Ch'ien		■			■
Mary Francis		■		■	
Rajna Gibson Brandon				■	■
C. Robert Henrikson	■		■ (chair)	■	
Hans Ulrich Maerki		■	■		
Carlos E. Represas			■		
Jean-Pierre Roth					■
Susan L. Wagner				■	■

Allocation of tasks within the Board of Directors

Chairman of the Board of Directors

The Chairman of the Board of Directors exercises ultimate supervision of the Group on behalf of the Board. He has the right to attend the meetings of the Group EC, the Business Unit Board of Directors and Executive Committees and receives all corresponding documentation and minutes. He ensures adequate reporting by the Group EC and the Group CEO to the Board of Directors and facilitates their communication with the Board. He is also responsible together with the chairperson of the Audit Committee for overseeing Group Internal Audit (GIA) and appoints its head, subject to confirmation by the Audit Committee.

The Chairman convenes meetings of the Board and its committees and makes preparations for, and presides over, Board meetings. The Chairman coordinates the activities of Board committees and ensures that the Board is kept informed about the committees' activities and findings. In cases of doubt, the Chairman makes decisions about the authority of the Board or its committees and about interpreting and applying the Group Bylaws.

The Chairman presides at General Meetings of shareholders and represents the Group vis-à-vis shareholders and other stakeholders such as regulatory and political authorities, industry associations, or the media.

The Chairman arranges introduction for new Board members and appropriate training for all Board members.

If the Chairman of the Board is prevented from performing any of these duties, one of the Vice Chairmen, the Lead Independent Director or another member of the Board will assume them.

Vice Chairmen

One of the Vice Chairmen will act in place of the Chairman in the latter's absence or in the event of a conflict of interest of the Chairman. A Vice Chairman may prepare and execute Board resolutions on request of the Board and liaises between the Board and the Group EC in matters not reserved to the Chairman.

Lead Independent Director

One of the Vice Chairmen may also assume the role of the Lead Independent Director. The Lead Independent Director shall act as an intermediary between the Swiss Re Group and its shareholders and stakeholders in the absence of the Chairman or in particular when a senior independent member of the Board is required.

Committees of the Board of Directors

The Board has delegated certain responsibilities, including the preparation and execution of its resolutions, to five committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee, the Finance and Risk Committee and the Investment Committee.

Each committee consists of a chairperson and at least two other members elected from among the Board of Directors. The members of the Compensation Committee are elected by the Annual General Meeting.

The term of office of a Board committee member is one year, beginning with the appointment at the Board meeting following an Annual General Meeting and ending at the Board meeting following the subsequent Annual General Meeting. For the Compensation Committee members the term of office begins with the election at the Annual General Meeting and ends at the subsequent Annual General Meeting.

Each committee is governed by a Charter which defines the committee's responsibilities. The committees operate in line with the Group Bylaws and according to their respective Charters.

The committees have the following overall responsibilities:

Chairman's and Governance Committee

Responsibilities

The Chairman's and Governance Committee's primary function is to act as advisor to the Chairman and to address corporate governance issues affecting the Group. It is in charge of the succession planning process at the Board of Directors level and oversees the annual performance assessment and self-assessment at both the Board of Directors and Group EC level.

Members

- Walter B. Kielholz, Chair
- Mathis Cabiallavetta
- Renato Fassbind
- C. Robert Henrikson
- Jakob Baer (until 11 April 2014)
- John R. Coomber (until 11 April 2014)

Audit Committee

Responsibilities

The central task of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities as they relate to the integrity of Swiss Re's and the Group's financial statements, the Swiss Re Group's compliance with legal and regulatory requirements, the external auditor's qualifications and independence, and the performance of GIA and the Group's external auditor. The Audit Committee serves as an independent and objective monitor of Swiss Re's and the Group's financial reporting process and system of internal control, and facilitates ongoing communication between the external auditor, Group EC, Business Units, GIA, and the Board with regard to the Swiss Re Group's financial situation.

Members

- Renato Fassbind, Chair (Chair since 11 April 2014)
- Raymond K.F. Ch'ien
- Mary Francis (since 11 April 2014)
- Hans Ulrich Maerki (since 11 April 2014)
- Jakob Baer (until 11 April 2014, as Chair)
- John R. Coomber (until 11 April 2014)
- Malcolm D. Knight (until 11 April 2014)

Independence and other qualifications

All members of the Audit Committee are non-executive and independent. In addition to the independence criteria applicable to Board members in general, additional independence criteria apply to members of the Audit Committee. They are required to possess such additional attributes as the Board may, from time to time, specify. Each member of the Audit Committee has to be financially literate. At least one member must possess the attributes to qualify as an Audit Committee financial expert, as determined appropriate by the Board of Directors. Members of the Audit Committee should not serve on audit committees of more than four listed companies outside the Swiss Re Group. Audit Committee members have to advise the Chairman of Swiss Re Ltd before accepting any further invitation to serve on an audit committee of another listed company outside the Group and observe the limitations set in the Articles of Association in relation to external mandates (see other mandates, activities and functions on page 87).

Compensation Committee Responsibilities

The Compensation Committee supports the Board of Directors in establishing and reviewing Swiss Re Ltd's compensation strategy and guidelines and performance criteria as well as in preparing the proposals to the General Meeting of shareholders regarding the compensation of the Board of Directors and of the Group EC. It proposes compensation principles in line with legal and regulatory requirements and the Articles of Association for the Swiss Re Group to the Board of Directors for approval and, within those approved principles, determines the establishment of new (and amendments to existing) compensation plans, and determines, or proposes as appropriate, individual compensation as outlined in its Charter. The Compensation Committee also ensures that compensation plans do not encourage inappropriate risk-taking within the Swiss Re Group and that all aspects of compensation are fully compliant with remuneration disclosure requirements.

Members

- C. Robert Henrikson, Chair
- Renato Fassbind
- Hans Ulrich Maerki
- Carlos E. Represas
- John R. Coomber (until 11 April 2014)

Finance and Risk Committee Responsibilities

The Finance and Risk Committee annually reviews the Group Risk Policy and proposes it for approval to the Board of Directors, reviews the Risk Control Framework and important risk exposures, including new products, strategic expansions, and compensation related risks. It reviews critical underwriting standards as well as principles used in internal risk measurement, asset and liability valuation, capital and liquidity adequacy assessment, and economic performance management. In addition, it reviews the Group's funding structure, as well as capital and liquidity management activities.

Members

- Mathis Cabiallavetta, Chair
- Raymund Breu
- Mary Francis
- Rajna Gibson Brandon
- C. Robert Henrikson
- Susan L. Wagner (since 11 April 2014)
- Hans Ulrich Maerki (until 11 April 2014)

Investment Committee Responsibilities

The Investment Committee approves the strategic asset allocation and reviews tactical asset allocation decisions. It reviews the monthly performance of all financial assets of the Swiss Re Group and makes proposals to the Board on strategic holdings. It reviews the risk analysis methodology as well as the valuation methodology related to each asset class and ensures that the relevant management processes and controlling mechanisms in Asset Management are in place.

Members

- Mathis Cabiallavetta, Chair
- Raymund Breu
- Raymond K.F. Ch'ien
- Rajna Gibson Brandon
- Jean-Pierre Roth
- Susan L. Wagner (since 11 April 2014)
- Malcolm D. Knight (until 11 April 2014)

Work methods of the Board of Directors and its committees

Swiss Re's Board of Directors oversees governance, audit, compensation, finance and risk, and investment and is supported in this responsibility by its committees. The full Board and its committees meet at the invitation of the Chairman of the Board as often as business requires or at least quarterly. Any member of the Board of Directors or the Group EC may, for a specific reason, require the Chairman to call an extraordinary Board of Directors or committee meeting. The members of the Board of Directors ensure that they are able to fulfil the responsibilities of their position even in periods when there are increased demands on their time. The Chairman defines the agenda for each meeting and therefore works closely with the chairpersons of the committees and the Group CEO. The agenda, along with any supporting documents, is delivered to the participants about ten days before the meeting in order to allow enough preparation time.

A quorum is constituted when at least half of the members of the Board or the committee are present in person or participate using some alternative means of communication. Resolutions are adopted by majority vote. Board and committee meetings consider and discuss the items on the agenda incorporating presentations by members of the Group EC and, where needed, by other specialist employees or outside advisers. It is contemplated for every meeting that an executive session is held for discussions between the Board of Directors and the Group CEO. Furthermore, private sessions are held for discussions involving all members of the Board of Directors only.

The Board and its committees can also adopt resolutions by written agreement if no member of the Board of Directors requests a discussion of the topic. Each committee provides a report of its activities and recommendations following a committee meeting at the next Board of Directors meeting. If any significant topic comes up, the committees contact the Board of Directors immediately. It is the responsibility of each committee to keep the full Board of Directors informed on a timely basis as deemed appropriate.

Minutes are kept of the discussions and resolutions taken at each meeting of the Board of Directors and its committees.

The Board has an assessment process in place, allowing the members to gauge the effectiveness of the Board on an annual basis.

Each committee annually reviews the adequacy of the scope of its responsibilities, including processes and membership requirements, and also evaluates its performance.

The table below provides an overview of the meetings of the Board of Directors and its committees held in 2014.

BOARD OF DIRECTORS AND COMMITTEE MEETINGS IN 2014

Body	Number of meetings Average duration Average attendance	Invitees in advisory capacity, in addition to members
Board of Directors	10 meetings ¹ 4.5 hours 96.0%	Group EC members, Group General Counsel, Company Secretary
Chairman's and Governance Committee	7 meetings ² 2 hours 97.0%	Group CEO, Company Secretary
Audit Committee	8 meetings 3 hours 95.7%	Group CEO, Group CFO, Group CRO, Group COO, Group General Counsel, Chief Compliance Officer, Head Group Internal Audit, Chief Accounting Officer, Lead auditors of external auditor, Company Secretary
Compensation Committee	6 meetings 3 hours 100.0%	Group CEO, Group COO, Chief Human Resources Officer, Head Reward, Advisers ³
Finance and Risk Committee	6 meetings 4 hours 95.7%	Group CEO, Group CFO, Group CRO, Group Chief Strategy Officer & Chairman Admin Re [®] , Group Chief Underwriting Officer, Group Chief Investment Officer, Group COO, Group Treasurer, CEO Reinsurance, CEO Corporate Solutions, Company Secretary
Investment Committee	6 meetings 2.5 hours 96.9%	Group CEO, Group CFO, Group CRO, Group Chief Strategy Officer & Chairman Admin Re [®] , Group Chief Investment Officer, Head Financial Risk Management & CRO EMEA, CFO Asset Management, Head of Internal Investments, Company Secretary

¹ In addition, one decision by circular resolution.

² In addition, two decisions by circular resolution.

³ The human resources consulting firm Mercer and the law firm Niederer Kraft & Frey AG (NKF) provided support and advice for compensation issues during the reporting year. Mercer organised benchmark studies and helped to review and amend the compensation philosophy. NKF provided support in disclosure matters. Representatives of Mercer and of NKF participated in six committee meetings each in 2014. During 2014, the Compensation Committee also received independent advice from Hostettler, Kramarsch & Partner AG relating to compensation.

Board of Directors and Group EC: areas of responsibility

The Board of Directors exercises ultimate responsibility for the Group. It delegates the responsibility for managing the Group's operations to the Group EC (see section Executive Management, starting on page 96). The Group EC also supports the Board of Directors in fulfilling its duties and prepares proposals for consideration and decision-making by the Board of Directors related to the following key responsibilities with Group relevance: strategy, the business plan, organisational structure, accounting principles, risk tolerance levels, share capital and any share repurchase programme, along with principles of financing through capital markets as well as for important strategic transactions. The following tables provide a summary of the key responsibilities of the Board of Directors and delegations to the Group EC.

KEY RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Governance

- Supervises the Swiss Re Group
- Retains overall responsibility for corporate governance
- Prepares for and convenes General Meetings of shareholders and executes their resolutions

Strategy and structure

- Approves the Group's strategy and endorses the strategies of the Business Units
- Determines the basic organisational structure of the Group

Planning

- Approves the Group's consolidated short- and medium-term business plan and endorses the business plans of the Business Units

Financial reporting

- Approves the annual report of Swiss Re Ltd and of the Group

Capital management

- Proposes capital measures to the General Meeting of shareholders
- Approves principles on capital allocation and capital steering for the Group
- Approves aggregate limits for long-term debt issuances, bank facilities and similar instruments

Risk management

- Ensures risk management framework that identifies and controls all relevant risks
- Ensures internal control system that is suitable for the company
- Approves the Group Risk Policy
- Monitors risk developments and adherence to the Group's risk and capacity limits framework
- Assesses the capital adequacy, funding structure and liquidity management of the Group

Business transactions

- Decides on important strategic transactions

Legal, regulatory and compliance matters

- Takes measures to ensure compliance with applicable standards
- Regularly reviews if the set-up of the compliance function suits the nature of the company's needs
- Regularly reviews the Group Code of Conduct and compares it to recognised best practice
- Approves legal, regulatory and compliance matters which have a material effect on the Group's business

Human resources

- Nominates Board member candidates for re-election/ election by the General Meeting of shareholders
- Appoints the members of the Group EC
- Ensures appropriate succession planning at Board of Directors and Group EC level

Compensation

- Approves the Group's compensation principles
- Proposes the compensation of the members of the Board of Directors and of the Group EC to the General Meeting of shareholders for approval
- Determines the compensation of the Group CEO in line with the overall compensation available for the members of the Group EC as approved by the Annual General Meeting
- Approves the overall incentive pool for the Group, subject to approval by the Annual General Meeting for short-term incentive for Group EC members

KEY RESPONSIBILITIES OF THE GROUP EXECUTIVE COMMITTEE

Governance

- Has overall responsibility for managing operations, subject to delegation by the Board of Directors
- Issues guidelines relating to the delegation of decision-making authority within the Group

Strategy and structure

- Ensures implementation of the Group's strategy
- Decides on legal, financial and management structures, as delegated by the Board of Directors

Planning

- Prepares and proposes the Group business plan to the Board of Directors for approval and reviews the Business Units' business plan

Financial reporting

- Prepares and presents to the Board of Directors the annual and interim financial statements of the Group together with segment reporting on the Business Units

Capital management

- Establishes principles on financing through capital markets and the allocation of financial resources within the Group
- Establishes the principles for Intra-Group Transactions and funding

Risk management

- Establishes the principles for external retrocession and the balancing of Group-wide catastrophe and accumulated risks
- Supervises the Group's internal control evaluation and certification process

Business transactions

- Decides on certain strategic transactions and proposes important strategic transactions to the Board of Directors for discussion and decision

Legal, regulatory and compliance matters

- Oversees implementation of Group-wide compliance procedures and monitors remediation of any regulatory and compliance deficiencies

Human resources

- Has responsibility for the Group's talent management, subject to the authority of the Board of Directors

Compensation

- Proposes short-term compensation and benefit plans to the Compensation Committee for discussion and decision

Board supervision of executive management

Swiss Re's Board of Directors maintains effective and consistent oversight and monitors the execution of responsibilities it has delegated to executive management through the following control and information instruments.

Participation of Board members at executive management meetings

The Chairman of the Board is invited to all meetings of the Group EC, Business Units Board of Directors and Executive Committees and receives the corresponding documentation and minutes.

Special investigations

The Board committees are entitled to conduct or authorise special investigations at any time and at their full discretion into any matters within their respective scope of responsibilities, taking into consideration relevant peer group practice and general best practice. The committees are empowered to retain independent counsel, accountants or other experts if deemed necessary.

Involvement of executive management in meetings of the Board of Directors

As a matter of principle, some (or all) members of the Group EC are requested to attend the regular meetings of the Board of Directors as advisers. The members of the Group EC do not attend the constitutional meeting of the Board of Directors following the Annual General Meeting. The entire Group EC was present at two regular Board meetings in 2014. At two further meetings the entire Group EC was present with the exception of one member. At five meetings the presence of only a number of Group EC members was required. These members attended the meetings.

Involvement of executive management in Board committee meetings

As a matter of principle, selected members of the Group EC as well as further senior management members participate at Board committee meetings as advisers. The charters of the Board committees specify management participation at committee meetings.

A detailed summary of executive management participation in Board committee meetings is provided on page 91.

Periodic reports to Board of Directors

A comprehensive Executive Report on business developments, including major business transactions, claims, corporate development and key projects, is provided to the Board of Directors at each of its regular meetings.

Executive management furthermore regularly provides the Board of Directors with specific written reports containing:

- risk management issues and related actions;
- the legally required update on the solvency of the Swiss Re Group, Swiss Reinsurance Company Ltd, European Reinsurance Company of Zurich Ltd and Swiss Re Corporate Solutions Ltd;
- a detailed analysis of the loss reserves development of the major Group companies;
- the use of derivative financial instruments within the Group;
- an overview of the activities of the assurance work of Operational Risk Management and by the Business Risk Review, by Group Internal Audit (GIA) and Compliance – including key risk indicators and significant losses and issues;
- major pending legal matters such as litigation and arbitration, investigations and inquiries, as well as information about key legal developments and risks;
- material compliance matters, including assessments of compliance risks and related mitigation efforts;
- an update on the most important regulatory issues and supervisory developments; as well as
- a description of trends and forecasts regarding the economic environment and the Property & Casualty and Life & Health re/insurance and financial markets.

Risk management

Swiss Re's Risk Management function provides regular risk reports to the Board of Directors, which are discussed in depth by the Finance and Risk Committee. These reports cover Swiss Re's compliance with the Group's risk tolerance criteria, major changes in risk and capital adequacy measures and a description of the Group's main risk issues, including related risk management actions. The Finance and Risk Committee regularly reports to the full Board of Directors.

Duty to inform on extraordinary events

As soon as the Group CEO or the Group EC becomes aware of any significant extraordinary business development or event, it is obliged to inform the Board of Directors immediately. The Board has specific respective reporting procedures in place.

Right to obtain information

The Board of Directors has complete and open access to the Group CEO and the other members of the Group EC, the Group General Counsel, the Group Chief Compliance Officer and the Head of GIA. Any member of the Board of Directors who wishes to have access to any other officer or employee of the Group will coordinate such access through the Chairman.

Any member of the Board of Directors may demand at Board meetings to obtain information on any aspect of the Group's business. Any member may, in such meetings, request that books and records be produced for timely inspection. Outside Board meetings, any member can direct a request for production of information and business records to the Chairman.

Group Internal Audit

GIA is an independent assurance function, assisting the Board of Directors and Group EC to protect the assets, reputation and sustainability of the organisation. GIA assesses the adequacy and effectiveness of the Group's internal control system, and adds value through improving the Group's operations.

GIA applies a risk-based approach, performing its own risk assessment as well as making use of risk assessments performed by the Group's Risk Management and other assurance functions (after reviewing the quality of the assurance work performed). Based on the results of the risk assessment, GIA produces an annual Audit Plan for review and approval by the Audit Committee. The Audit Plan is updated on a quarterly basis according to the Group's evolving needs. GIA provides formal quarterly updates on its activities to the Audit Committee, which include audit results, the status of management actions required, the appropriateness of the resources and skills of GIA and any changes in the tools and methodologies it uses.

The Head of GIA meets at least once per quarter with the Audit Committee, and immediately reports any issue which could have a potentially material impact on the business of the Group to the Chairman of the Audit Committee.

GIA is an integral part of the Group's Integrated Assurance Framework and coordinates its activities with those of the other assurance functions as well as the external auditor whilst still ensuring its independence. As part of this process it reviews the quarterly Assurance Report, which provides a summary of key issues as well as the assurance activities across the Group.

GIA has unrestricted access to any of the Group's property and employees relevant to any function under review. All employees are required to assist GIA in fulfilling its duty. GIA has no direct operational responsibility or authority over any of the activities it reviews.

GIA staff govern themselves by following the Code of Ethics issued by the Institute of Internal Auditors (IIA). The IIA's International Standards for the Professional Practice of Internal Auditing constitute the operating guidance for the department.

External auditor

For information regarding the external auditors, please refer to pages 104-105.

Executive Management

The Group Executive Committee manages Swiss Re Ltd and steers the Swiss Re Group and its Business Units as delegated by the Board of Directors.

MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

The Group Executive Committee (Group EC) consisted of the following members as of 31 December 2014:

Name	Nationality	Age	Function
Michel M. Liès	Luxembourg	60	Group CEO
David Cole	Dutch, American	53	Group CFO
John R. Dacey	American	54	Group Chief Strategy Officer/Chairman Admin Re®
Guido Fürer	Swiss	51	Group Chief Investment Officer
Agostino Galvagni	Italian, Swiss	54	CEO Corporate Solutions
Jean-Jacques Henchoz	Swiss	50	CEO Reinsurance Europe, Middle East and Africa (EMEA)/Regional President EMEA
Christian Mumenthaler	Swiss	45	CEO Reinsurance
Moses Ojeisekhoba	Nigerian, American	48	CEO Reinsurance Asia/Regional President Asia
Patrick Raaflaub	Swiss, Italian	49	Group Chief Risk Officer
J. Eric Smith	American	57	CEO Reinsurance Americas/Regional President Americas
Matthias Weber	Swiss, American	53	Group Chief Underwriting Officer
Thomas Wellauer	Swiss	59	Group Chief Operating Officer



Michel M. Liès

Group Chief Executive Officer

Born: 1954

Nationality: Luxembourg

Professional experience

Michel M. Liès joined Swiss Re in 1978, working initially for the life markets in Latin America and then Europe from 1983 to 1993. Moving to the non-life sector in 1994, he took responsibility for the Southern Europe/Latin America Division. In 2000, he was appointed Head of the Europe Division of the Property & Casualty Business Group. In 2005, he assumed the position of Head Client Markets and was appointed member of the Group Executive Committee. Michel was Chairman Global Partnerships from October 2010 until becoming Group CEO in February 2012.

External appointments

- Chairman of the Global Reinsurance Forum, 2014
- Board member of Geneva Association
- Member of Insurance Europe's Reinsurance Advisory Board (RAB)
- Member of Pan-European Insurance Forum (PEIF)
- Member of the Board of Directors Swiss American Chamber of Commerce
- Voting member of The Conference Board
- Member of IMD Foundation Board
- Board member of the Society for the Promotion of the Institute of Insurance Economics, St. Gallen

Educational background

- Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Stanford Executive Program 1991, Stanford University, USA
- Senior Executive Program 1995–1996, Harvard University, USA



David Cole

Group Chief Financial Officer

Born: 1961

Nationality: Dutch and American

Professional experience

David Cole began his career in 1984 with ABN AMRO. In 1999, he was appointed Executive Vice President and regional Head of Risk Management for Latin America, located in Brazil. In 2001, he returned to Amsterdam to assume Corporate Centre responsibility within Group Risk Management. He became Chief Financial Officer of Wholesale Clients (WCS) in 2002 and was appointed Senior Executive Vice President and Chief Operating Officer of WCS in 2004. In January 2006, he became Head of Group Risk Management for ABN AMRO Bank and in 2008 was named Chief Financial Officer and Chief Risk Officer. David joined Swiss Re in November 2010 as Deputy Chief Risk Officer and was appointed Group Chief Risk Officer and member of the Group Executive Committee in March 2011. He was appointed Group Chief Financial Officer as of 1 May 2014.

External appointments

- Chairman of the CRO Forum 2012 and 2013

Educational background

- Bachelor of Business Administration, University of Georgia, USA
- International Business Program, Nyenrode Universiteit, The Netherlands



John R. Dacey

Group Chief Strategy Officer,
Chairman Admin Re®

Born: 1960

Nationality: American

Professional experience

John R. Dacey started his career in 1986 at the Federal Reserve Bank of New York. From 1990 to 1998, he was a consultant and subsequently Partner at McKinsey & Company. He joined Winterthur Insurance in 1998 and was its Chief Financial Officer from 2000 to 2004 as well as member of their Group Executive Board until 2007. From 2005 to 2007, he was Chief Strategy Officer and member of their risk and investment committees. He joined AXA in 2007 as Group Regional CEO and Group Vice Chairman for Asia-Pacific as well as member of their Group Executive Committee. John joined Swiss Re in October 2012 and was appointed Group Chief Strategy Officer and Chairman Admin Re® as well as member of the Group Executive Committee as of November 2012.

Educational background

- Bachelor of Arts in Economics, Washington University, St. Louis, USA
- Master in Public Policy, Harvard University, Cambridge, USA



Guido Fürer

Group Chief Investment Officer
 Born: 1963
 Nationality: Swiss

Professional experience

Before joining Swiss Re, Guido Fürer worked for eight years in leading positions for the Swiss Bank Corporation /O'Connor & Associates in option trading and structured capital markets transactions. Guido joined the New Markets Division of Swiss Re in 1997, focusing on Alternative Risk Transfer. Between 2001 and 2004, he worked for Swiss Re Capital Partners with responsibility for European strategic participations. He was named Head of the Chief Investment Office in 2008, with responsibility for Global Asset Allocation, Portfolio Steering and Portfolio Analytics. Guido became Group Chief Investment Officer and member of the Group Executive Committee as of November 2012.

Educational background

- Master's Degree in Economics, University of Zurich, Switzerland
- PhD in Financial Risk Management, University of Zurich, Switzerland
- Executive MBA, INSEAD, France



Agostino Galvagni

Chief Executive Officer Corporate Solutions
 Born: 1960
 Nationality: Italian and Swiss

Professional experience

Agostino Galvagni joined Bavarian Re, a former Swiss Re subsidiary, in 1985 as a trainee in the fields of underwriting and marketing. He joined Swiss Re New Markets in New York in 1998. Agostino returned to Bavarian Re in 1999 as a member of the Management Board. In 2001, he joined Swiss Re in Zurich as Head of the Globals Business, and in 2005 was appointed to the Executive Board to head the Globals & Large Risks Division within Client Markets. In 2009, Agostino was appointed Chief Operating Officer and member of the Group Executive Committee. He was made CEO Corporate Solutions in October 2010.

Educational background

- Master's Degree in Economics, Bocconi University, Milan, Italy



Jean-Jacques Henchoz

Chief Executive Officer Reinsurance Europe, Middle East and Africa (EMEA)/ Regional President EMEA
 Born: 1964
 Nationality: Swiss

Professional experience

Jean-Jacques Henchoz started his career in 1988 at the Swiss Federal Department of Economic Affairs and the European Bank for Reconstruction and Development. Jean-Jacques joined Swiss Re in 1998 and worked in several underwriting roles in the Europe Division until becoming Head of Strategy for Property & Casualty in 2003. From 2005 to 2010, he was Chief Executive Officer of Swiss Re Canada. Jean-Jacques assumed leadership of the Europe Division in March 2011. He was appointed Chief Executive Officer Reinsurance EMEA, Regional President EMEA and member of the Group Executive Committee in January 2012.

Educational background

- Master's Degree in Political Science, University of Lausanne, Switzerland
- MBA, International Institute for Management Development (IMD), Switzerland



Christian Mumenthaler

Chief Executive Officer Reinsurance
 Born: 1969
 Nationality: Swiss

Professional experience

Christian Mumenthaler started his career in 1997 as associate with the Boston Consulting Group. He joined Swiss Re in 1999 and was responsible for key company projects. In 2002, he established and headed the Group Retro and Syndication unit. He served as Group Chief Risk Officer between 2005 and 2007 and was Head of Life & Health between 2007 and 2010. In January 2011, Christian was appointed Chief Marketing Officer Reinsurance and member of the Group Executive Committee until he became Chief Executive Officer Reinsurance that October.

External appointments

- Board member of International Risk Governance Council (IRGC)

Educational background

- PhD in Molecular Biology and Biophysics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland



Moses Ojeisekhoba

Chief Executive Officer Reinsurance Asia/
 Regional President Asia
 Born: 1966
 Nationality: Nigerian and American

Professional experience

Moses Ojeisekhoba started his career in insurance as a registered representative and agent of The Prudential Insurance Company of America in 1990. From 1992 to 1996, he was a Risk and Underwriting Manager at Unico American Corporation. He then joined the Chubb Group of Insurance Companies as regional Underwriting Manager and in 1999 became Corporate Product Development Manager in New Jersey and thereafter moved to London as Strategic Marketing Manager for Chubb Europe. In 2002, he was appointed International Field Operations Officer for Chubb Personal Insurance before becoming Head Asia Pacific in 2009, a position he remained in until he joined Swiss Re. Moses joined Swiss Re in February 2012 and was appointed Chief Executive Officer Asia, Regional President Asia and member of the Group Executive Committee in March 2012.

Educational background

- Master's Degree in Management, London Business School, United Kingdom
- Bachelor of Science in Statistics, University of Ibadan, Nigeria



Patrick Raaflaub

Group Chief Risk Officer
 Born: 1965
 Nationality: Swiss and Italian

Professional experience

Patrick Raaflaub began his career as a research fellow at the University of St. Gallen and then worked for Credit Suisse and a consulting start-up. He joined Swiss Re in 1994 and was appointed Chief Financial Officer of Swiss Re Italia SpA in 1997, and then was Divisional Controller Americas Division from 2000. He worked as Head of Finance Zurich from 2003, then Regional Chief Financial Officer Europe and Asia from 2005. From 2006, he was Head of Group Capital Management, where he was responsible for capital management at Group level and global regulatory affairs. In 2008 he joined the Swiss Financial Markets Supervisory Authority FINMA as Chief Executive Officer. Patrick Raaflaub returned to Swiss Re as Group Chief Risk Officer and member of the Group Executive Committee as of 1 September 2014.

Educational background

- PhD in Political Science, University of St. Gallen, Switzerland



J. Eric Smith

Chief Executive Officer Swiss Re Americas / Regional President Americas
 Born: 1957
 Nationality: American

Professional experience

J. Eric Smith worked in various roles in property and casualty insurance with Country Financial for more than 20 years, then joined Allstate in 2003 where he rose to the rank of President, Financial Services. He moved to USAA in 2010 as President USAA Life Insurance Co. Eric joined Swiss Re in July 2011 as Chief Executive Officer of Swiss Re Americas and as a member of the Group Management Board. Eric was appointed Regional President Americas and member of the Group Executive Committee in January 2012.

Educational background

- Bachelor's Degree in Finance, University of Illinois, USA
- MBA, Kellogg School of Management, Northwestern University, USA



Matthias Weber

Group Chief Underwriting Officer
 Born: 1961
 Nationality: Swiss and American

Professional experience

Matthias Weber started his career at Swiss Re in Zurich in 1992 as an expert for natural perils. He moved to the Swiss Re Americas Division in 1998 and in 2000 became Regional Executive for the Western Region of the United States located in San Francisco. From 2001, he was responsible for property underwriting in the US Direct Business Unit, and in 2005 was named Head of the Americas Property Hub in Armonk. From 2008, Matthias served as Division Head of Property & Specialty. Matthias was appointed Group Chief Underwriting Officer and member of the Group Executive Committee in April 2012.

Educational background

- Master's Degree in Physics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- PhD in Natural Sciences, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland



Thomas Wellauer

Group Chief Operating Officer
 Born: 1955
 Nationality: Swiss

Professional experience

Thomas Wellauer started his career with McKinsey & Company, specialising in the financial services and pharmaceutical industry sectors, and became a Partner in 1991 and Senior Partner in 1996. In 1997, he was named Chief Executive Officer of the Winterthur Insurance Group, which was later acquired by Credit Suisse. At Credit Suisse he was a member of the Group Executive Board, initially responsible for the group's insurance business before becoming Chief Executive Officer of the Financial Services division in 2000. From 2003 to 2006, he headed the global turnaround project at Clariant. In 2007, he joined Novartis as Head of Corporate Affairs and became member of the Executive Committee of Novartis. From April 2009 until September 2010, he was a member of the Supervisory Board of Munich Re. Thomas joined Swiss Re in October 2010 as Group Chief Operating Officer and member of the Group Executive Committee.

External appointments

- Chairman of the Swiss Chapter of the International Chamber of Commerce (ICC) since 2013
- Member of the global Executive Board of the International Chamber of Commerce (ICC) since 2014

Educational background

- PhD in Systems Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- MBA, University of Zurich, Switzerland

For full biographies, please visit:
swissre.com/about_us/leadership/

Changes in 2014

George Quinn stepped down as Group CFO and member of the Group EC as of 30 April 2014.

David Cole, Swiss Re's Group Chief Risk Officer since March 2011, was appointed Group CFO as of 1 May 2014.

Patrick Raaflaub was appointed Swiss Re's new Group Chief Risk Officer and member of the Group EC as of 1 September 2014.

Other mandates, activities and vested interests

In line with Swiss Re Ltd's Articles of Association the members of the Group EC may not hold more than five additional mandates of which no more than one additional mandate can be with listed companies. Mandates (i) in companies which are controlled by Swiss Re Ltd or which control Swiss Re Ltd, (ii) mandates held at the request of Swiss Re Ltd or companies controlled by Swiss Re Ltd as well as (iii) mandates in associations, charitable organisations, foundations, trusts, employee welfare foundations, investment companies, equity partnerships or limited liability partnerships are not subject to the above limitations. No member of the Group EC may hold more than five mandates as set out in (ii) above and not more than fifteen mandates as set out in (iii) above. Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

All Group EC members comply with the requirements on external mandates set out in the Articles of Association.

Any activities of members of the Group EC in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, which are material, are stated in each of the Group EC members' biographies on pages 97–100.

Management contracts

Swiss Re has not entered into any management contract with any third party.

Shareholder's Participation Rights

Any shareholder with voting rights may have his or her shares represented at a General Meeting of shareholders.

Voting right restrictions, statutory group clauses and exception rules

There are no voting right restrictions and no statutory group clauses (other than the limitations on nominee registrations, page 81). Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Accordingly, no such exceptions were made in 2014.

Statutory rules on participating in the General Meeting of shareholders

The share whose owner, usufructuary or nominee is entered in the share register as having voting rights on a specific qualifying day determined by the Board of Directors entitles its holder to one vote at the General Meeting of shareholders.

Swiss Re's Articles of Association allow any shareholder with voting rights to have his or her shares represented at any General Meeting of shareholders by another person authorised in writing or by the Independent Proxy. Such representatives need not be shareholders.

The Independent Proxy is elected by the General Meeting of shareholders for a term of office until completion of the next ordinary General Meeting of shareholders. The Independent Proxy whose term of office has expired is immediately eligible for re-election. The duties of the Independent Proxy are determined by applicable laws, rules and regulations. The General Meeting of shareholders may remove the Independent Proxy with effect as per the end of the General Meeting of shareholders. If the company does not have an Independent Proxy, the Board of Directors shall appoint the Independent Proxy for the next General Meeting of shareholders.

Business firms, partnerships and corporate bodies may be represented by legal or authorised representatives or other proxies, married persons by their spouses, minors and wards by their guardians, even though such representatives are not shareholders.

Statutory quorums

The General Meeting of shareholders may pass resolutions regardless of the number of shareholders present or shares represented by proxy. Resolutions pass by an absolute majority of votes validly cast (excluding blank and invalid ballots), except where the law requires otherwise.

The Chairman of the General Meeting of shareholders determines the voting procedure. Provided that the voting is not done electronically, voting shall take place openly on show of hands or by written ballot.

Convocation of the General Meeting of shareholders

In accordance with Swiss Re Ltd's Articles of Association, the Board of Directors convenes the General Meeting of shareholders through a notice published in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting. The notice must state the day, time and place of the General Meeting of shareholders, along with the agenda and proposals, which will be submitted by the Board of Directors.

Extraordinary General Meetings of shareholders may be called by a resolution of the General Meeting of shareholders or the Board of Directors, or by one or more shareholders with voting powers whose combined holdings represent at least 10% of the share capital.

Agenda

The Board of Directors announces the agenda for the General Meeting of shareholders. Shareholders with voting power whose combined holdings represent shares with a nominal value of at least CHF 100 000 may, no later than 45 days before the date of the meeting, request that further matters be included in the agenda. Such requests must be in writing and must specify the items and the proposals to be submitted.

Registrations in the share register

In recent years, Swiss Re has recognised the voting rights of shares registered no later than two working days before the General Meeting of shareholders.

Changes of Control and Defence Measures

The Board of Directors believes that the efficiency of a free market is preferable to artificial obstacles, which can have a negative impact on the share price in the long term.

Duty to make an offer

Swiss Re has not put in place any specific measures to defend against potential unfriendly takeover attempts. The Board of Directors believes that the company's best protection is a fair valuation of its shares, and that the efficiency of a free market is preferable to artificial obstacles, which can have a negative impact on the share price in the long term.

In accordance with the Federal Act on Stock Exchanges and Securities Trading (SESTA), whosoever acquires equity securities, which added to equity securities already owned, exceed the threshold of 33⅓% of Swiss Re shares with voting rights, either directly, indirectly or in concert with third parties, and regardless of whether these rights are exercisable or not, triggers a mandatory takeover offer for the outstanding Swiss Re shares owned by all other shareholders.

The SESTA allows companies to include an "opting up" provision in their articles of association, which raises the mandatory takeover offer threshold up to 49%, or an "opting out" provision, which waives the mandatory offer. Swiss Re's Articles of Association contain neither of these provisions.

Change of control clauses

Unvested incentive shares, share options and certain other employee benefit programmes would vest upon a change of control. In such an event, the rights of members of the Board of Directors and the Group Executive Committee (Group EC) as well as of further members of senior management are identical to those of all other employees.

The Articles of Association provide that the Board of Directors or, to the extent delegated to it, the Compensation Committee may decide on continuation, acceleration or removal of vesting, blocking or exercise conditions for the payment or grant of compensation based upon assumed target achievement, or for forfeiture.

The mandates and employment contracts of the members of the Board of Directors and of the Group EC do not contain any provisions such as severance payments, notice periods of more than 12 months or additional pension fund contributions that would benefit them in a change of control situation.

Auditors

The external auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders.

Duration of the mandate and term of office of the lead auditors

PricewaterhouseCoopers Ltd (PwC) was appointed as the external auditor of Swiss Re Ltd when the company was founded on 2 February 2011. PwC had been elected as the external auditor of the previous parent company of the Group, Swiss Reinsurance Company Ltd, at its Annual General Meeting 1991 and had been re-elected annually since then. The Annual General Meeting 2014, following the proposal of the Board of Directors based on the recommendation of the Audit Committee, re-elected PwC for a term of one year as auditors.

Alex Finn became lead auditor responsible for the auditing mandate of the former parent company, Swiss Reinsurance Company Ltd, on 23 September 2011. With Swiss Re Ltd becoming the new holding company of the Group, he also became lead auditor for the Swiss Re Ltd audit mandate. Bret Griffin was appointed as further new lead auditor following the election of PwC as auditors by the Annual General Meeting 2014 replacing Dawn M. Kink who had been on this audit mandate for seven years in a row. In line with the Swiss Code of Obligations she was therefore replaced.

Auditing fees

PwC fees (excluding value add taxes) for professional services during the year ended 31 December 2014 were:

- Audit fees: USD 35.9 million
- Audit-related fees: USD 3.0 million
- Corporate Finance Services: USD 0.1 million

Audit-related fees (apart from corporate finance due diligence services) include, among other tasks, Solvency II model validation, accounting advice and regulatory reports.

Corporate Finance Services include due diligence and post-acquisition services.

Additional fees

In addition to the auditing fees, PwC fees totaled USD 1.5 million (excluding value add taxes) during the year ended 31 December 2014, primarily relating to:

- Income tax compliance and related tax services: USD 0.4 million
- Other fees: USD 1.1 million

Other fees include permitted advisory work related to a range of projects.

Information tools pertaining to the external audit

Responsibilities

The external auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders. The Board of Directors reviews the external auditor's professional credentials, assisted in its oversight by the Audit Committee.

Cooperation and flow of information between the auditor and the Audit Committee

The Audit Committee liaises closely with the external auditor; the lead auditors participate as advisers at all the Audit Committee's meetings. For more information, see page 91.

The external auditor provides the Audit Committee with regular updates on the audit work and related issues as well as with reports on topics requested by the Audit Committee.

The Audit Committee reviews and approves in advance all planned audit services and any non-audit services provided by the external auditor. It discusses the results of annual audits with the external auditor, including reports on the financial statements, necessary changes to the audit plans and critical accounting issues.

The external auditor shares with the Audit Committee its findings on the adequacy of the financial reporting process and the efficacy of the internal controls.

It informs the Audit Committee about any differences of opinion between the external auditor and management encountered during the audits or in connection with the preparation of the financial statements.

Evaluation of the external auditor

The Audit Committee, which is responsible for recommending an audit firm to the Board of Directors for election at the Annual General Meeting of shareholders, assesses the performance of the external auditor annually and presents its findings to the Board. This assessment is based on the external auditor's qualifications, independence and performance.

Qualifications

At least once a year, the external auditor submits a report to the Audit Committee describing the external auditor's own quality control procedures, including any material issues raised by its most recent internal reviews or inquiries or investigations by governmental or professional authorities within the preceding five years, as well as any steps taken to deal with any such issues.

Independence

At least once a year, the external auditor provides a formal written statement delineating all relationships with the company that might affect its independence. Any disclosed relationships or services that might bear on the external auditor's objectivity and independence are reviewed by the Audit Committee, which then recommends appropriate action to be taken by the Board.

In accordance with the Swiss Code of Obligations and to foster external auditor independence, the lead audit partner rotates out from his or her role after seven years.

Performance

This assessment measures the external auditor's performance against a number of criteria, including: understanding of Swiss Re's business; technical knowledge and expertise; comprehensiveness of the audit plans; quality of the working relationship with management; and clarity of communication. It is compiled based on the input of key people involved in the financial reporting process and the observations of the Audit Committee members.

Audit fees

The Audit Committee reviews annually the audit fees as well as any fees paid to the external auditor for non-audit services, based on recommendations by the Group CFO.

Special Auditor

Swiss Re Ltd's Articles of Association foresee that the Annual General Meeting may elect a Special Auditor for a term of three years which will be responsible for the special audit reports that are required by law in connection with changes in capital. Currently there is no Special Auditor elected.

Information Policy

We use www.swissre.com to provide comprehensive, timely news and information on our activities.

Swiss Re's core business – managing global risk – makes us by necessity an information company. Our information policy therefore goes well beyond legal requirements in establishing transparency in our communications and equal access to the facts for all investors and the public.

The official medium for publications of the company is the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). In addition, we use our website to provide comprehensive, timely news and information on our activities as well as background discussion and analysis of issues relating to Swiss Re's business and the broader insurance and reinsurance industries. Investors and other stakeholders can subscribe to receive ad hoc disclosures and other corporate news automatically at swissre.com/media. Our contact details are provided on page 276.

Our Investor Relations team holds regular meetings with institutional investors and analysts. In 2014, Swiss Re held a special Investors' Day in London to discuss a Group strategy update, Capital Management and financial performance as well as maintaining outperformance in Property & Casualty. The presentations and conference call recordings from this event are also available on our website: <http://www.swissre.com/investors/presentations>

Swiss Re observes strict close periods around the publications of the Group's quarterly and annual results. The close periods apply throughout the preparation of the results and provide for an appropriate cooling-off period after the release of the results. During such close periods, employees of Swiss Re and members of the Board of Directors are prohibited from trading in Swiss Re securities.

Corporate news in 2014

Date	News	Method of dissemination
20 February	Swiss Re earns profit of USD 4.4 billion for 2013; regular dividend of CHF 3.85 per share and special dividend of CHF 4.15 per share to be proposed	News release, press conference
24 February	Swiss Re Corporate Solutions joins forces with Seguros Confianza, Colombia's leading specialty insurer, and acquires a majority stake	News release
6 March	Swiss Re supports Aviva in the largest longevity transaction with a pension scheme completed to date	News release
12 March	Swiss Re denies being in discussions with the Agnelli family or any of its investment vehicles	News release
18 March	Swiss Re seeks shareholder approval to be fully compliant with new Swiss governance regulation ahead of schedule	News release
11 April	Swiss Re shareholders approve all proposals put forward by the Board of Directors at Swiss Re's Annual General Meeting	News release, AGM in Zurich
7 May	Swiss Re delivers strong first-quarter Group net income of USD 1.2 billion; 14.9% Group return on equity	News release, media conference call
5 June	Swiss Re publishes its 2013 Corporate Responsibility Report and updates its Sustainability Risk Framework	News release, report
11 June	Swiss Re's Admin Re [®] enters into a transaction with HSBC and demonstrates commitment to the Admin Re [®] strategy	News release
3 July	Swiss Re Investors' Day 2014: Focus stays on successful strategy execution, delivering the financial targets and capital management	News release, media call
6 August	Swiss Re posts another strong quarterly profit of USD 802 million, contributing to a half-year net income of USD 2.0 billion	News release, press conference
27 August	Preliminary sigma estimates for H1 2014: global catastrophe-related insurance losses comparatively low at USD 21 billion	News release, sigma study
21 October	Swiss Re Admin Re [®] agrees to sell US subsidiary Aurora to RGA	News release
7 November	Swiss Re reports strong net income of USD 3.3 billion for the first nine months of 2014 and third quarter net income of USD 1.2 billion	News release, media conference call

Important dates for 2015

Date	Event
19 February	2014 annual results
18 March	Publication of 2014 Annual Report and 2014 EVM results as well as of AGM 2015 invitation
21 April	151st Annual General Meeting
30 April	First quarter 2015 results
30 July	Second quarter 2015 results
29 October	Third quarter 2015 results
8 December	Investors' Day in Rüslikon

Corporate responsibility

We take actions that create environmental and social benefits and at the same time have a tangible link to our financial performance.

Overview	110
Natural catastrophes and climate change	111
Expanding re/insurance protection	114
Our Sustainability Risk Framework	117
Diversity and inclusion in our workforce	119

Overview

Sustainable, long-term value creation serves as a guiding principle for our practical actions.

Swiss Re has a long-standing commitment to being a responsible company. A key element of our understanding of this is the desire to contribute to sustainable, long-term value creation. Or as we express it in our values:

“Taking the long-term view, and playing our part in enabling sustainable progress – for stakeholders and society in general.”

Based on this long-term view of our business, we seek to identify environmental and social issues that may prevent or threaten sustainable progress, and explore effective ways to address them. In doing so, we tap the vast risk expertise embedded in our company, both in our client-facing Business Units and the corporate functions set up to manage our own risks. Mirroring our long-standing commitment to enabling sustainable progress, we have been publishing a comprehensive yearly report on our performance as a responsible company since 1998.

In corporate responsibility reporting, there has recently been an increased focus on materiality: companies are urged to reflect more on which topics really matter. However not everyone understands this term the same way. Some stakeholders expect companies to report on all their actions that impact the environment and society; others primarily focus on those aspects that have a tangible link to a company's financial performance.

Even though we have always identified material environmental and social issues in the specific context of our business, these two notions of materiality lead to differences in reporting focus and scope. For example, we place great emphasis on sharing our risk expertise with clients and other stakeholders. The effect of these endeavours on our financial performance is difficult to determine in isolation, however.

Against this background this Corporate Responsibility section is meant to highlight some key activities that create significant environmental and social benefits, and at the same time are strongly linked to our financial performance. Our Corporate Responsibility Report will continue to present all our initiatives with an environmental or social impact.



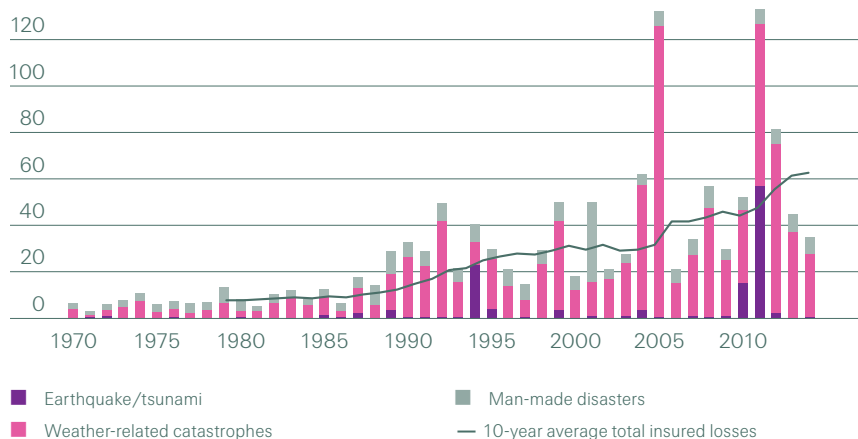
Sector leader in the Dow Jones Sustainability Indices

Swiss Re has been named as the insurance industry sector leader in the Dow Jones Sustainability Indices for 2014. This is the eighth time since 2004 that we have led the sector in these rankings. The award highlights our long-term commitment to sustainable business and our efforts to continuously and progressively embed sustainability into key business processes and operations.

Natural catastrophes and climate change

Insured catastrophe losses, 1970–2014

140 in USD bn, at 2014 prices



Source: Swiss Re Economic Research & Consulting

Natural catastrophes constitute a key risk in our Property & Casualty (P&C) business. Losses from floods, storms, earthquakes and other natural disasters can affect millions of lives and the economies of entire countries. In 2014, the total worldwide economic loss from natural and man-made catastrophes was estimated at USD 109 billion, while insured losses totalled USD 35 billion.

Providing effective re/insurance protection against natural catastrophes therefore creates significant value-added for our clients — and society at large. In 2014, we received USD 2.9 billion of P&C Reinsurance premiums for natural catastrophe covers (for losses larger than USD 20 million); this was equivalent to 19% of total premiums in this business segment.

The impact of climate change

On average, both economic losses and insured losses caused by natural catastrophes have increased steadily over the past 20 years. Economic development, population growth, urbanisation and a higher concentration of assets in exposed areas have been the main drivers for the rise in losses.

This general trend will continue in the future. But, crucially, losses will be further aggravated by climate change. The scientific consensus is that a continued rise in average global temperatures will have a significant effect on weather-related natural catastrophes. According to the Special Report on Extremes (SREX) published by the Intergovernmental Panel on Climate Change (IPCC) in 2012, a changing climate gradually leads to shifts in the frequency, intensity, spatial extent, duration and timing of extreme weather events.

In the long run, if climate change remains unchecked, the relative importance of the key drivers will gradually shift, with climate change accounting for an increasingly large share of natural catastrophe losses.

In view of the potentially significant medium- to long-term impact of climate change on our business, we made it a priority issue 20 years ago and set up a comprehensive climate change strategy with four pillars:

- Advancing our knowledge and **understanding** of climate change risks, quantifying and integrating them into our risk management and underwriting frameworks where relevant;
- Developing **products and services** to mitigate — or adapt to — climate risk;
- Raising **awareness** about climate change risks through dialogue with clients, employees and the public, and advocacy of a worldwide policy framework for climate change;
- Tackling our own **carbon footprint** and ensuring transparent, annual emissions reporting.

USD 2.9 bn
Natural catastrophe premiums
in our P&C Reinsurance business

(USD 2.75 billion in 2013)

Offshore wind energy for the UK

In 2014, we were involved in a number of offshore wind transactions. One of them is the Dudgeon Offshore Wind Park (www.dudgeonoffshorewind.co.uk), which will be constructed over the next three years on a site 32 km off the UK's Norfolk coast. As a lead underwriter, Swiss Re Corporate Solutions provides an "all risk" cover for the whole construction period as well as a "maintenance cover" for the first 24 months of the windfarm's operation. Norwegian company Statoil is one of the shareholders of the limited company that develops the project, and will be the operator for both the construction and operational phases.

The Dudgeon Offshore Wind Park is planned to comprise 67 highly efficient turbines with a total capacity of 400 megawatts, sufficient to supply more than 410 000 UK homes with sustainable energy. When finished, its output will be transferred to the UK grid through a seabed cable of 38 km and an underground cable of 48 km.

Understanding the risk

In order to assess our Property & Casualty business accurately and to structure sound risk transfer solutions, it is vital that we understand natural catastrophe risks and the impact of climate change. This is why we invest in proprietary, state-of-the-art natural catastrophe models and collaborate with universities and scientific institutions. Doing so enables us to stay abreast of the latest knowledge on the economic impact of natural disasters, including the effects of climate change.

While the effect of climate change will increase over the coming decades, most of our business is renewed annually and our risk models are refined every few years. Risks are essentially covered for 12 months, for cat bonds up to five years. Thus, reinsurance premiums do not reflect expected loss trends over the next decades. Rather, for underwriting and risk management purposes, our models provide an estimate of the current risk. However, as natural

catastrophe losses continue to rise as a result of the different factors described above, our forward-looking models will gradually reflect this trend, as they are updated and refined at regular intervals.

Meanwhile, our Economics of Climate Adaptation (ECA) studies look at the effects of climate change on a longer timescale. With a time horizon of 2030, the ECA methodology estimates the total climate risk of a given region or city due to both economic development and climate change. In a second step, it identifies the most cost-effective measures to address that risk. In this way, ECA studies provide decision-makers with a fact base to integrate adaptation to climate change with economic development and sustainable growth.

Developing products and services

With our re/insurance products, we aim to support two objectives: *mitigation* of climate change and *adaptation* to it.

Mitigation: renewable energy sources play a crucial role in reducing CO₂ emissions and thus in mitigating climate change. Among them, offshore wind is considered one of the most promising. However, these infrastructures present highly complex risks, as the technology is moving rapidly and because there are no historical losses to rely upon for underwriting purposes. Our Corporate Solutions Business Unit takes a special interest in offshore wind, as we have both the large capacity and the technical expertise to assess and manage the associated complex risks (see case story to the left).

Adaptation to climate change requires effective risk transfer instruments that help our clients cope with some of the effects of climate change. As we continuously adjust our natural catastrophe and weather solutions to reflect changes in the underlying risk, both are suitable for this purpose. The substantial efforts we have recently been making to extend the reach of such products are described in detail on pages 114–116, as well as corresponding commitments we have recently made.

Key environmental data, Swiss Re Group

		2013	2014	Change in %
Total CO ₂ emissions per employee	kg/FTE ¹	6 645 ²	6 723	1.2%
Energy intensity (power consumption & heating)	kWh/FTE ¹	6 515	6 019	-7.6%

¹ FTE = full-time equivalent

² The 2013 figure for total CO₂ emissions per FTE has been restated, reflecting two adjustments in the calculation of emissions from business travel:

- use of updated emission factors, based on recent scientific evidence regarding the radiative forcing of CO₂ (DEFRA 2014);
- correction of incompletely reported business flights, resulting in a 20% underestimation of km/FTE travelled in 2013.

Awareness raising and advocacy

Three of our top topics address climate change or specific aspects of it: "Advancing sustainable energy solutions", "Managing climate and natural disaster risk" and "Partnering for food security". We engage in ongoing dialogue on all of them by holding or sponsoring stakeholder events, through our many risk publications and more.

A reliable international policy framework facilitates the development of effective responses to climate change because it creates planning security and encourages investment. We support these efforts, eg through regular participation in the United Nations' COP conferences. Furthermore, our Group CEO is a member of the Global Commission on the Economy and Climate; through its flagship project "The New Climate Economy" (newclimateeconomy.net), the Commission seeks to help governments, businesses and society make better-informed decisions on how to achieve economic prosperity and development while also addressing climate change. In 2014, we contributed to the "Better Growth, Better Climate" report, which points out the climate-friendly investments required in the next 15 years to keep the world economy on a sustainable development path.

Tackling our carbon footprint

The fourth pillar of our climate strategy focuses on the emissions we cause in our own operations. Through our pioneering Greenhouse Neutral Programme we managed to halve our emissions per employee between 2003 and 2013 and set off all remaining emissions. Our new commitment, valid until 2020, is to keep our per-capita emissions stable at the level of 2013, even though we pursue an ambitious business strategy in high growth markets. As part of our new commitment, we have also extended the scope of our emissions accounting and reporting to include five additional emission sources.

Total emissions per employee (FTE, full-time equivalent) increased by 1.2% during 2014, mainly driven by a rise in business travel. Although we managed to achieve a further reduction in internal energy consumption (power and heating), this was not enough to outweigh the additional emissions caused by business travel (detailed data for all eight emission sources will be disclosed in the 2014 Corporate Responsibility Report).

Switching to renewable energy is one of two main measures we have taken to reach our emissions reduction goals. However, in countries where we want to grow, reliable supplies of renewable energy are usually not available. This is one of the reasons why we have

helped launch the RE:100 initiative as a founding member, together with a number of like-minded companies. The group will approach policy-makers and regulators at the national and sub-national level to make renewable energy more available, eg in countries such as China, India, Brazil and South Africa.

Becoming more energy efficient in our own operations has been the second key measure of our Greenhouse Neutral Programme. Through many optimisation measures and by concentrating back office tasks in fewer and more energy-efficient buildings, we managed to reduce our energy intensity by 46.5% between 2003 and 2013, and by 7.6% in 2014. These measures have led to substantial cost savings. We will explore further potential to reduce our energy intensity in the coming years.

Expanding re/insurance protection

For 151 years, we have provided our clients with effective financial protection against the risks they face. Traditionally, our most important client groups are insurers and large corporations. We offer them a large range of products covering many different types of losses.

With new challenges and new needs for risk protection emerging around the world, we have made considerable efforts in recent years to widen the reach of our re/insurance solutions. An important part of this has been to look beyond our established client base and

traditional business model. We believe there is significant unmet demand for effective, commercially viable re/insurance protection, but offering suitable solutions requires innovative thinking on several levels (see below for details).

WHAT WE DO TO EXPAND RE/INSURANCE PROTECTION

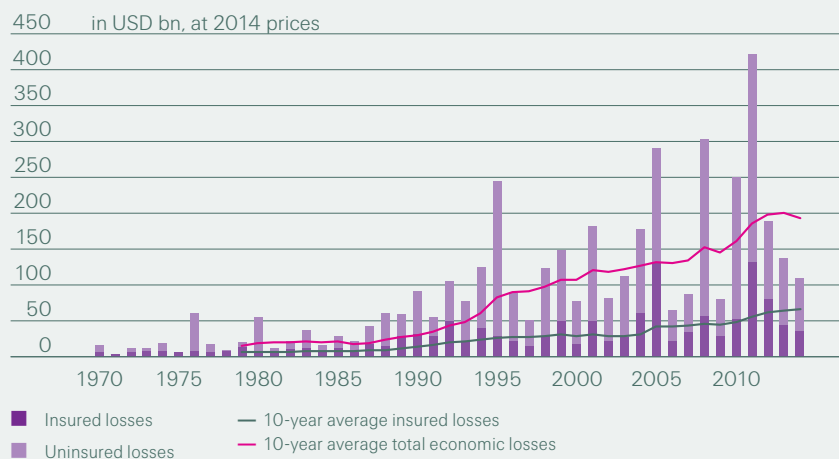
Identifying risks with a protection gap

In many parts of the world, re/insurance protection against key risks remains limited. For example, natural catastrophes such as windstorms, earthquakes and floods tend to have huge social and financial impacts. Yet the global gap between total and insured natural catastrophe losses is still massive (see illustration to the right). Agriculture is another case in point, especially in emerging and developing countries. All too often, farmers there face the devastating effects of adverse weather without insurance protection. What's more, both natural catastrophe and agricultural risks are expected to increase and become more unpredictable as a result of climate change.

Working with different clients and partners

Offering effective re/insurance protection for such risks requires cooperation with a wider range of partners, ranging from governments, supranational organisations, private companies and NGOs to "aggregators" such as financial institutions or service providers. We actively seek to build such client and partner relationships, depending on the specific risk to be addressed. To offer tailor-made solutions and expertise to public sector clients, for example, we established our Global Partnerships function several years ago.

Insured losses vs uninsured losses, 1970–2014



Source: Swiss Re Economic Research & Consulting

Moving into new markets

It stands to reason that many underinsured risks are located in countries where insurance markets are less well developed. This means that a special effort is required to gain a foothold in these markets and to develop a good understanding of local needs, conditions and challenges. Selecting and working with the right partner organisations can greatly help this. To intensify our efforts in Africa, for example, we have dedicated market development teams in both Reinsurance and Corporate Solutions.

Developing innovative risk transfer instruments

Extending the reach of our re/insurance covers requires us to examine whether there may be special requirements to be considered. For example, effective

protection against natural catastrophe risks means that funds for relief and emergency measures need to be available quickly, meaning that financing arrangements must be in place before an event ("ex-ante financing"). Likewise, agricultural insurance schemes in emerging and developing markets need to add real value yet be affordable. Parametric and index insurance products are suitable for these purposes, because they enable automatic payouts and have low administrative costs. As they are considered acceptable collateral by banks and input providers, they help secure and raise incomes. Swiss Re is an acknowledged leader in the development, structuring and pricing of such products.

Highlights of 2014

In 2014, we completed a range of transactions that help expand re/insurance protection:

Hydropower insurance in Uruguay

We have assumed a portion of risk in a USD 450 million weather coverage deal between the government of Uruguay and the World Bank Treasury. Weather risk has become an increasing burden to the government, as lower-than-usual rainfall affects hydropower generation and makes it necessary to buy costly electricity produced from fossil fuels as a substitute. Using rainfall data and oil prices for settlement, this landmark transaction provides the government with compensation for the combined risk of drought conditions and an increase in the price of energy.

Removing a major source of budget uncertainty will support continued investment in climate-friendly hydropower generation in Uruguay. This innovative weather coverage not only makes it easier for our client, the Uruguayan government, to adapt to the effects of climate change, it also supports mitigation efforts.

Rainfall protection in the Caribbean

Our innovative risk transfer instruments protect a number of Caribbean countries from the impact of tropical cyclones and earthquakes, through the Caribbean Catastrophe Risk Insurance Facility (CCRIF). We enhanced that protection for eight countries in August 2014, extending insurance cover to extreme rainfall. We developed this innovative product together with CCRIF at the request of several Caribbean governments. It estimates the impact of heavy rain using satellite data so that payouts can be made quickly without time-consuming damage and loss assessments.

The governments protected by the new policy — Anguilla, Barbados, Dominica, Grenada, Haiti, Saint Lucia, St. Kitts & Nevis and St. Vincent & the Grenadines — did not have to wait long for the first payouts. The first payment was made to Anguilla on 27 October 2014 after flooding caused by Hurricane Gonzalo just two weeks earlier. Some of the funds will be used to make the island more resistant to future flooding. The largest payment in 2014 was made to

Barbados, which received USD 1.3 million in December, less than three weeks after the heavy rains on 21 and 22 November. The four payments on the new product totalled USD 3.4 million in 2014.

Improving resilience to natural disasters in China

We are also playing an active role in developing natural catastrophe insurance markets in China. At present, insurance protection against natural catastrophes is very low in China: it is estimated that payouts usually cover less than 1% of economic losses, so there is an urgent need to improve resilience to disasters such as earthquakes and windstorms.

In a review of the insurance industry, the State Council has recently issued a mandate to formulate and promote natural catastrophe schemes, which has spurred interest both at central and provincial levels. We have worked with the China Development Forum to produce a report on “Parametric Insurance and Reform of Natural Disaster Relief System in China”, which was discussed with high-level officials, and are now involved in setting up major pilots in two provinces. These schemes are being designed to provide contingency funding for disaster relief and reconstruction efforts based on parametric triggers.

African Risk Capacity

As a provider of capacity and expertise, we supported the launch of the African Risk Capacity (ARC). Set up by the African Union and drawing support from the public and private sectors, ARC is the continent’s first parametric natural disaster insurance pool. Initially, it will offer drought insurance to five governments — Kenya, Mauritania, Mozambique, Niger and Senegal.

Drought is a key risk across Sub-Saharan Africa, threatening the very livelihoods of millions of citizens. When there is too little rainfall in the countries protected by the scheme, ARC will estimate drought-related adverse impacts by using satellite weather surveillance technology, triggering automatic payouts to the insured governments.

ARC is only the third sovereign risk transfer pool, after the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the Pacific Catastrophe Risk Insurance Pilot. Swiss Re has played an instrumental role in all of them.

First weather index insurance programme in Nigeria

Another of our key achievements in 2014 was to help establish the first weather index insurance programme in Nigeria, Africa’s most populous country and now its largest economy. Developed in partnership with impact investment firm Doreo Partners (www.doreopartners.com) and its agricultural franchise Babban Gona (www.babbangona.com), the programme protects smallholder farmers against the risk of adverse weather patterns. The weather index solution underlying it uses satellite data to determine whether there is a lack of rainfall and then pays out automatically.

Offering smallholder farmers effective insurance protection through this programme in Nigeria has huge social and economic benefits beyond protecting their livelihoods. Once farmers can show they have insurance, banks are much more willing to provide them with loans. This puts them in a position to invest in better seeds and fertilisers to increase yields. With a secure minimum income, they can then gradually accumulate savings, leave subsistence farming behind and escape poverty. By supporting programmes such as this one and the ARC, we help develop the insurance markets that facilitate sustained economic and social progress.

OUR COMMITMENTS ...

... to the United Nations

Many of the innovative insurance transactions we have completed in recent years cover losses from natural catastrophes and weather volatility (eg drought or excessive rainfall). As climate change is expected to increase these risks, such transactions also help communities increase their climate resilience.

Building on the experience we have gained with these solutions (see page 115), we made a significant commitment at the UN Climate Summit held in September 2014 in New York City. Personally addressing the government leaders present at the summit, our Group CEO Michel M. Liès made the following pledge: "By the year 2020, Swiss Re commits to having advised 50 sovereigns and sub-sovereigns on climate risk resilience, and to have offered them USD 10 billion against this risk."

... to the Grow Africa Partnership

The African continent, especially Sub-Saharan Africa, has for some time been a focus area of our efforts to bring risk protection to underinsured communities. Reflecting our engagement, we made an important commitment to the Grow Africa Partnership (www.growafrica.org) in 2012. This initiative was launched by a number of organisations with the objective of promoting public-private collaboration and investment in African agriculture. As most smallholder farmers in Sub-Saharan Africa have had no access to insurance protection so far, addressing this problem is a crucial precondition to protect families' livelihoods, facilitate economic development and reduce poverty.

Our commitment to the Grow Africa Partnership thus includes the following three elements:

- Give farmers in Sub-Saharan Africa access to tools such as weather and yield index insurance products;
- Invest in resources equivalent to about USD 2 million per year to support the development of sustainable agricultural risk management markets;
- Provide agricultural insurance for up to 1.4 million smallholder farmers.

In creating effective insurance solutions, we work closely with several partners, for example Oxfam America, the World Food Programme, USAID and the Global Index Insurance Facility. By the end of 2014, we thus helped to establish a total of 20 programmes that brought weather insurance to 2 million smallholder farmers in 12 Sub-Saharan countries.

2 million
Smallholder farmers benefiting
from the Grow Africa Partnership
(300 000 in 2013)

Our Sustainability Risk Framework

Sometimes, business transactions that create economic value and are perfectly fine from a legal perspective may also have negative impacts on the environment or certain vulnerable groups. Such transactions may also damage our brand and/or reputation.

Based on our long-standing commitment to enabling sustainable progress, we believe that it is important to recognise and address such dilemmas. Doing so requires a well-defined approach and the willingness to make decisions based on ethical principles.

Our Sustainability Risk Framework is an advanced risk management instrument specifically designed to identify and address “sustainability risks” and prevent the reputational damage they may cause. It applies to all of our business transactions, re/insurance as well as investments, to the extent that we can influence their various aspects.

The Sustainability Risk Framework consists of:

- Eight policies on sensitive sectors or issues;
- The Sensitive Business Risks (SBR) process – a due diligence tool for assessing individual business transactions;
- Company exclusions;
- Country exclusions beyond mere compliance with international trade controls.

Policies

At present, the framework comprises policies on eight sectors and issues where we perceive major sustainability risks: the defence industry, oil and gas (including oil sands), mining, dams, animal testing, forestry and logging, nuclear weapons proliferation, plus an overarching human rights and environmental protection policy (the list of key concerns addressed by the eight policies can be viewed at media.swissre.com/documents/Swiss_Re_SBR_policy_concerns.pdf).

The Sensitive Business Risks process

Each of the eight policies of our Sustainability Risk Framework contains criteria and qualitative standards which define precisely when our underwriters and client managers need to refer a transaction to the SBR process. In such a case our sustainability and other experts carry out a due diligence assessment: they carefully analyse the economic benefits and environmental/social impacts of the transaction at hand and decide whether it is acceptable on ethical grounds.

This decision takes the form of a binding recommendation either to go ahead with the transaction, to go ahead with certain conditions attached or to abstain from it. If there is disagreement about the recommendation, the case can be escalated to the next management level, ultimately to the Group Chief Risk Officer and the Group Executive Committee.

When making these decisions, we refer to internationally recognised ethical principles. Swiss Re is a signatory to the UN Global Compact, which derives its human rights principles from the Universal Declaration of Human Rights, its labour principles from the ILO Declaration on Fundamental Principles and Rights at Work, its environmental principles from the Rio Declaration on Environment and Development and its anti-corruption principles from the United Nations Convention against Corruption.

In 2014, the number of transactions referred to the SBR process rose to 454. We issued negative recommendations in 43 cases and positive recommendations with conditions in 60 cases.

The strong increase in transactions referred to the SBR process reflected our continued expansion in high growth markets, where legislation tends to be less stringent and the chance of facing sustainability risks thus larger.

454

Total number of business transactions referred to the Sensitive Business Risk process in 2014
(210 in 2013)

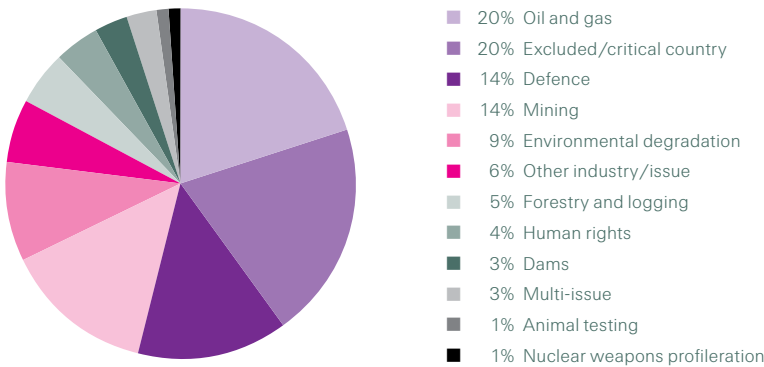
Company exclusions

The policies of our Sustainability Risk Framework specify certain criteria that may lead to the exclusion of a company from both our re/insurance transactions and our investments, to the extent that such an exclusion is permissible (eg by virtue of mandatory law or internal policies) and possible (eg if existing documentation relating to such re/ insurance transactions and investments provide for it). These criteria include: involvement in prohibited war material; verifiable complicity in systemic, repeated and severe human rights violations; infliction of repeated, severe and unmitigated damage to the environment; and proliferation of nuclear weapons.

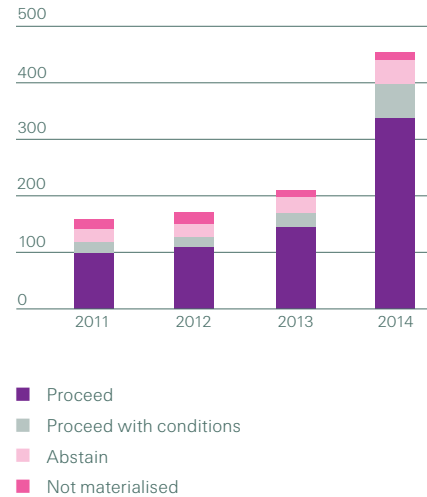
Country exclusions

Swiss Re also excludes certain countries from its business, beyond compliance with international trade controls (ITCs). The criteria for these country exclusions are a particularly poor human rights record and no prospect of improvement. Our goal is not to directly underwrite risks or make investments in entities that are based in these countries. At the end of 2014, the countries excluded from our business for human rights reasons were North Korea, Somalia, Sudan (North only) and Syria.

Sensitive Business Risk referrals 2014



Number of Sensitive Business Risk referrals



Diversity and inclusion in our workforce

The commitment and expertise of our employees is the foundation of our continued success in a rapidly changing world. Our goal is to be seen as an employment leader that can attract talented people from a broad range of disciplines and backgrounds. Fostering a culture of inclusion is the key to enabling us to leverage, and grow, the diversity of our workforce.

An inclusive corporate culture is a prerequisite for a diverse workforce and the diversity of thought, opinion and experience this helps create. In essence, inclusion is about respecting the uniqueness of every individual and about providing an atmosphere in which everyone feels valued and empowered to perform at a consistently high level. It is thus motivating for our employees, helps attract fresh talent and is good for bottom-line results.

There is strong evidence that diverse teams outperform non-diverse teams, avoid group think and therefore institutional blindness, and are more agile in responding to changes in the external environment. Furthermore, a strong representation of local talent is key to developing new markets, a strategic priority for Swiss Re.

To foster diversity and inclusion across the whole organisation, we have set up a comprehensive strategic framework. Backed by the Group CEO and the Group Executive Committee, our Diversity & Inclusion (D&I) agenda is driven forward by a network of 35 D&I Champions from the various business units, multiple geographically-based D&I Councils and 25 inclusive employee networks worldwide.

Women in management positions (in %)

	2012	2013	2014
Total workforce	47.3	46.8	46.3
Executive/senior management positions ¹	21.7	21.5	21.4
All management positions ¹	30.7	31.1	31.5

¹ "Executive/senior management positions" is comprised of the management levels of Director/Senior Vice President upwards. "All management positions" refers to Vice President and above.

Our Global Inclusion Framework

Our "Global Inclusion Framework" rests on three pillars:

- The first pillar focuses on "Inclusive Leadership". We have developed Inclusive Leader Principles that describe exactly what behaviours we expect of our leaders and managers in order to foster an inclusive work environment for all employees. These principles are firmly embedded in our Leadership Imperatives — our behavioural framework for leaders that supports our strategy, values and brand attributes — and our leadership development curriculum. To make these principles tangible for all our employees, we have recently embedded the Leadership Imperatives, and Personal Imperatives for sole contributors, in our performance management framework.
- "Own the Way You Work"TM: Living Team Spirit" forms the second pillar of our Global Inclusion Framework. It is a cultural change initiative that aims to give managers and employees more autonomy to decide how, when and where work is carried out. Our future success is dependent on our ability to create a flexible, global workforce that is responsive to the needs of our business. We have already made good progress in advancing our employment brand

internally and externally in this area — which is fully aligned with the needs of a multi-generational workforce.

- The third pillar, "Smashing Stereotypes, Opening Minds" includes but goes beyond "Gender Diversity" in recognition of the importance of tackling different forms of stereotypes to achieve a truly inclusive culture. It now centres on raising awareness of the "unconscious biases" all humans have and which can unintentionally influence decision-making and how we behave toward others.

Through awareness events as well as face-to-face and web-based training, employees participate in dialogues that increase self-awareness of unconscious bias such as those related to generations, sexual orientation and gender. Training on unconscious bias has also been embedded in our leadership development and manager training.

Regarding our efforts to promote gender balance, the Women Leading Swiss Re Programme is a key initiative. It is designed to strengthen the pipeline of talented women for leadership positions and, in doing so, also tackles gender stereotypes.

Compensation

Swiss Re is committed to a compensation system that is balanced and performance-oriented, and that aligns the interests of employees and shareholders.

Report from the Compensation Committee

Dear shareholders

I am pleased to share with you the Report from the Compensation Committee for 2014.

Swiss Re's compensation framework is designed to promote long-term sustainable performance for the Group and its shareholders through a mix of fixed and variable elements. It comprises core components such as base salary, pensions and other benefits, as well as a combination of short- and long-term incentives as outlined in this section of the 2014 Financial Report.

The Compensation Committee continues to review and monitor the compensation framework of Swiss Re considering business strategy, targets, risk awareness and corporate values. External requirements with respect to regulatory and legal developments, the international context and relevant market data are also taken into account.

In 2014, Swiss Re's compensation governance was further aligned with the new requirements under the Ordinance Against Excessive Compensation at Public Corporations (the Ordinance), but no substantive changes were made to the compensation framework. We are confident that Swiss Re's compensation framework supports our business strategy, providing for alignment with shareholders' interests as well as being competitive and compliant.

Supporting Swiss Re's pay-for-performance approach, compensation decisions are made considering a combination of US GAAP and Economic Value Management (EVM) based business results as well as qualitative considerations.

Several performance highlights were seen across all businesses last year. At a Group level, US GAAP, return on equity and economic net worth targets were all either exceeded or achieved, but target EVM results were underachieved. Consequently the Compensation Committee approved aggregate compensation levels for 2014 which were lower than those for 2013.

On 1 January 2014, the Ordinance came into force, with important implications for compensation governance. Swiss Re continued to align its compensation governance and regulations as well as processes during 2014 with the requirements of the Ordinance, with the main changes including:

- Yearly individual election of the members of the Compensation Committee by the Annual General Meeting (AGM) of shareholders.
- Inclusion of the overarching compensation principles in the Articles of Association.
- Introduction of binding shareholders' votes on remuneration for the members of the Board of Directors and the Group Executive Committee (Group EC) at the AGM in 2015 onwards.
- Adjustments to the Compensation Report in line with the new requirements under the Ordinance as of the reporting year 2014.
- Adjustments to employment contracts of the Group EC members in line with the provisions of the Ordinance.

This is the first Compensation Report prepared under the new requirements of the Ordinance. These new requirements mandate a specific Audit Report which is at the end of this Compensation Report on page 144.

In 2014, as per usual practice, the Compensation Committee reviewed its own effectiveness. Regular interactions with the Swiss Financial Market Supervisory Authority FINMA, shareholders and other key stakeholders were maintained.

The Compensation Committee is satisfied that this Compensation Report complies with the requirements of the Ordinance and provides a comprehensive view of the compensation framework at Swiss Re and the 2014 compensation decisions.

The structure of the Compensation Report is as follows:

- Compensation context and highlights in 2014
- Compensation framework
- Compensation governance
- Compensation decisions in 2014

We remain committed to providing compensation policies and programmes that support our business strategy and align the interests of our employees with those of our shareholders.

Zurich, 17 March 2015



C. Robert Henrikson

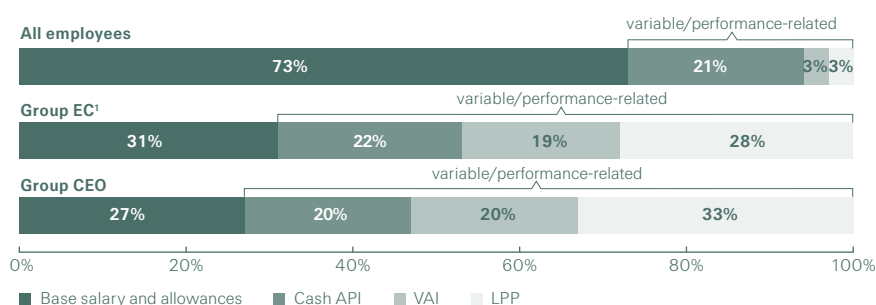
Chairman of the Compensation Committee

Compensation context and highlights in 2014

Pay for performance

The Compensation Committee ensures that executive management compensation is linked to the business performance of Swiss Re by delivering a substantial portion of compensation in the form of variable and performance-related incentives.

	Fixed	Variable/performance-related	of which deferred
All employees	73%	27%	23%
Group EC¹	31%	69%	68%
Group CEO	27%	73%	72%



¹ Including Group CEO

The Compensation Committee monitors how compensation develops against specific business metrics, including US GAAP net income and EVM profit.

USDm (unless otherwise stated)	2012	2013	change	2014	change
US GAAP net income	4 201	4 444	6%	3 500	-21%
EVM profit	4 152	4 007	-3%	1 336	-67%
Regular dividend payments (CHF) ¹	3.50	3.85	10%	4.25	10%
Financial Strength Rating (Standard & Poor's)	AA-	AA-		AA-	
Total equity	34 026	32 977	-3%	36 041	9%
Regular staff worldwide	11 193	11 574		12 224	
Aggregate compensation for all employees (CHFm) ²	2 035	2 065	1%	2 081	1%
Group EC members ^{3,4}	16	12		13	
Aggregate Group EC compensation (CHFm) ²	44	46	5%	43	-7%

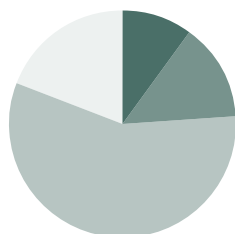
¹ Dividend payments are made in April of the following year. Special dividends per share for 2012 and 2013 were CHF 4.00 and CHF 4.15, respectively. For 2014 a dividend of CHF 4.25 and a special dividend of CHF 3.00 is proposed.

² Aligning with new guidance as outlined on page 138, disclosure includes all awards for a reporting year, i.e. the 2014 aggregated compensation values include the fair value of LPP granted in April 2014. The numbers disclosed previously have been adjusted accordingly.

³ Represents incumbents and not positions.

⁴ Including Group CEO.

Split of 2014 Group income (in USD million)



10%	Variable compensation
14%	Income tax expense
57%	Net income paid out as dividend
19%	Net income added to retained earnings

Attribution of Group income to key stakeholders

USDm (unless otherwise stated)	2012	%	2013	%	2014	%
Income before tax and variable compensation	5 872	100%	5 262	100%	4 629	100%
Variable Compensation	546	9%	506	10%	471	10%
Income tax expense	1 125	19%	312	6%	658	14%
US GAAP net income attributable to shareholders	4 201		4 444		3 500	
of which paid out as dividend ¹	2 760	47%	3 129	59%	2 637	57%
of which added to retained earnings within shareholders' equity	1 441	25%	1 315	25%	863	19%

¹ FY 2012 and 2013 include special dividends of USD 1.5bn and USD 1.6bn. FY 2014 includes a special dividend of approximately USD 1.1bn and is estimated based on average year-to-date CHF/USD FX rates as of February 2015. The dividend is subject to AGM approval and the amount depends on the final number of dividend eligible shares and FX rates upon dividend pay out.

KEY DEVELOPMENTS

The two-dimensional performance management system, the Target Annual Performance Incentive (TAPI) programme and the Leadership Performance Plan (LPP) were all launched in 2012, and the emphasis now is on embedding all of these changes. Additionally, there is a continued focus on linking pay to performance.

Activities in 2014

Swiss Re continued to interact with key shareholders to discuss the compensation framework.

Compensation changes

- Continued embedding of two-dimensional performance management system as well as launch of Leadership and Personal Imperatives which reflect expectations on effective behaviour.
- First payout for all employees in 2014 after introduction of TAPI, which includes communication of target incentive that influences the level of payout when business and individual objectives are achieved.
- Approval of the new Group Reward Strategy aligned with Swiss Re's new Human Capital Strategy, covering compensation, benefits, non-cash recognition and international mobility topics.

Specific compensation plans

- For the LPP, introduction of the updated vesting curve on the Performance Share Unit (PSU) component with vesting beginning at median, as well as introduction of an additional two-year holding period for senior management after vesting.
- Review of the Value Alignment Incentive (VAI) to ensure it continues to meet the requirements of all key stakeholder groups while supporting the overall balance of the compensation framework.

Legal and regulatory oversight

Implementation of the provisions of the Ordinance continued, focusing on:

- Inclusion of the overarching compensation principles in the Articles of Association.
- Annual election of the members of the Compensation Committee.
- Alignment of the Compensation Report with the new requirements as of the reporting year 2014.
- Introduction of the binding shareholders' votes on compensation at the AGM in 2015.
- Adjustments to employment contracts of the Group EC members in line with the requirements of the Ordinance.

Other regulatory aspects covered the continued interaction with FINMA as well as monitoring of Solvency II developments to ensure alignment of the compensation framework with the current draft requirements which will enter into force on 1 January 2016.

Annual General Meeting

- As in previous years, the Compensation Report 2013 was subject to a consultative vote. At the AGM on 11 April 2014, the Compensation Report was approved by 88.9% of shareholder votes (compared to 89.8% in 2013).
- At the AGM on 21 April 2015, the Compensation Report 2014 will be submitted for a consultative vote.
- At the same time, the aggregate compensation of the members of the Board of Directors and the Group EC will be subject to binding votes.

Outlook 2015

The Compensation Committee will continue focusing on legal and regulatory oversight, in addition to monitoring and further improving the overall compensation framework and plans.

The interaction with key shareholders will also be maintained in 2015.

Compensation framework

Compensation Policy

Building on the overarching compensation principles included in Swiss Re's Articles of Association, the compensation framework is captured within the Swiss Re Group Compensation Policy. The Compensation Policy governs the compensation structure and processes across all functions and locations at Swiss Re and is reviewed regularly.

The Compensation Policy also contains guidance for the execution of individual compensation actions. The Compensation Committee, together with the Group Chief Executive Officer (CEO), has approved an authority matrix that defines the limits to which each level of management can authorise compensation payments. Separate limits apply to each compensation element, thereby ensuring that all payments receive the appropriate level of approval. The Group CEO or the Compensation Committee, as applicable, approves all compensation that exceed the pre-set limits. The Group CEO is not involved in his own pay decisions.

The Human Resources function conducts a regular self-assessment on Swiss Re's compliance with the Compensation Policy. The Compensation Committee reviews this self-assessment and identifies potential areas of improvement. The Compensation Committee receives reports on compensation decisions as appropriate, including a comprehensive review of actions resulting from the Annual Compensation Review Cycle.

Swiss Re is required to assess the degree to which the Compensation Policy complies with the requirements of FINMA. As part of this process, the Board's Finance and Risk Committee is required to review risks related to the Compensation Policy. In order to facilitate the compliance certification process, a comprehensive risk analysis of the Compensation Policy is conducted on an annual basis.

In order to reflect best practices, the Compensation Policy prohibits the use of

any personal hedging strategies or remuneration and liability-related insurance that could undermine the risk alignment effects and economic exposure embedded in compensation arrangements.

Guiding principles

Swiss Re's compensation framework is designed to attract, motivate, and retain the qualified talent the Group needs to succeed globally as well as creating a tangible link between performance and pay.

The aim is to provide compensation that is competitive in local labour markets while ensuring that employees focus on delivering outstanding results as well as supporting appropriate and controlled risk-taking. A balanced compensation package is complemented by competitive pension plans and benefits.

This approach contributes to the success of the business by:

- supporting a culture of high performance with a focus on risk-adjusted financial results;
- ensuring alignment of compensation to business results, individual contribution and compliance;
- supporting Swiss Re's commitment to attract, motivate and retain key talent;
- aligning the interests of employees with those of Swiss Re's shareholders; and
- fostering compliance and supporting appropriate and controlled risk-taking.

Swiss Re has a range of incentive programmes that reflect the long-term nature of the business: both the VAI as the deferred part of the Annual Performance Incentive (API) as well as the LPP aim to reward sustained performance rather than short-term results. This supports closer alignment of the interests of shareholders and employees.

Overview of the compensation components

Swiss Re aims for total compensation that is competitive in the market.

In addition Swiss Re aims to ensure that total compensation is well-balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This is to encourage sustainable performance and appropriate risk-taking.

The illustration below shows a summary of Swiss Re’s compensation and benefit components which are now further explained.

Base salary

Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:

- scope and responsibilities of the role, as well as qualifications required to perform the role;

- market value of the role in the location in which Swiss Re competes for talent; and
- skills and expertise of the individual in the role.

Annual Performance Incentive Purpose

The API is a discretionary, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved.

Structure

In 2012 Swiss Re introduced the TAPI system along with a revised Performance Management framework that provides equal weighting to “behavioural” criteria along with quantitative “results” for senior executives, with continued roll-out within Swiss Re. In this way, API is awarded both for objectives achieved and for demonstration of desired behaviours.

A TAPI is set based on multiple factors, including the Corporate Band, business and market benchmarks. Similar to the determination of the base salary, the employee’s total compensation and overall pay-mix are taken into account, when setting the TAPI. The possible payout for the API ranges from 0% to 200% of TAPI.

Settlement

API is generally settled in cash. When the total API level for an employee exceeds a pre-defined amount, the award is split into two components: an immediate cash incentive payment (cash API) and a deferred API (VAI).

Employees can invest some or all of their cash API in shares under the Incentive Share Plan (ISP).

Summary of compensation and benefit components

	Fixed (short-term)	Variable compensation			Participation plans (long-term)		Benefits (long-term)
	Base salary	Cash API	VAI (deferred API)	LPP	GSPP	ISP	Benefits
Eligibility	All employees	All employees	Employees with an API at or above USD 100 000	Upon Group CEO invitation	All employees	All employees	All employees
Purpose	Attract and retain	Pay for performance	Pay for sustained performance	Align long-term future performance	Alignment to shareholders	Alignment to shareholders	Protection against risks
Plan duration			3 years	5 years for Group EC members and 3 years for the majority of participants	3 years	1 year	
Drivers	Role and experience	Company, business unit and individual performance	Business performance	Business performance	–	–	Market practice
Settlement	Cash (immediate)	Cash and/or shares (under the ISP)	Cash (deferred)	Shares	Shares	Shares	Pension, insurances, allowances
Performance KPIs		Business and individual performance	Measurement of the economic impact of profit/loss from previous years’ business	Relative TSR ROE			
Performance period		1 year	3 years	3 years			
Performance range		0%–200% of target	50%–150%	0%–150%			
Impact of share price on payout	no	no	no	yes	yes	yes	no
Forfeiture rules	no	yes	yes	yes	yes (on match)	no	no

Value Alignment Incentive Purpose

The VAI is a mandatory deferral of a portion of the API and introduces a time component to this variable compensation. This supports the Group’s business model by aligning a portion of variable compensation with sustained long-term results. The aim is to ensure that the ultimate value of the deferred variable compensation through VAI, though awarded for short-term performance, is affected by the longer-term performance of the business unit and the Group.

Plan duration

The VAI supports a longer-term perspective by linking awards to performance over a three-year period.

Review during 2014

During the course of 2014, a review of the VAI was conducted with a view to ensuring that it continues to meet the requirements of all key stakeholder groups while supporting the overall balance of the compensation framework.

As a result of the review, efforts were made to further simplify the performance measurement calculation to increase transparency. This is achieved by using fewer performance factors (at the business unit and Group level only) as well as by using, where possible, published EVM information.

Structure

The higher the API granted, the greater the portion of compensation that remains at risk through deferral in the VAI, as shown in the table below.

The payout factor of the VAI is calculated based on the three-year average EVM previous years’ business profit margin for all prior underwriting years. EVM is Swiss Re’s integrated economic valuation and reporting framework for planning, pricing, reserving, and steering the business (please refer to the EVM section on pages 55–56 of this Financial Report). The EVM previous years’ profit margin is the ratio of EVM previous years’ business profit to EVM capital allocated to previous years’ business in the current year.

A higher EVM previous years’ profit margin (for all prior underwriting years) results in a higher payout factor. Conversely, a lower EVM previous years’ profit margin results in a lower payout factor. The payout factor is a linear function that ranges from 50% to 150%.

VAI awards granted prior to 2012 contained an additional mark-up element as compensation for the time value of money. This mark-up has been eliminated for awards starting with the VAI 2011 (awarded in 2012) onwards.

Settlement

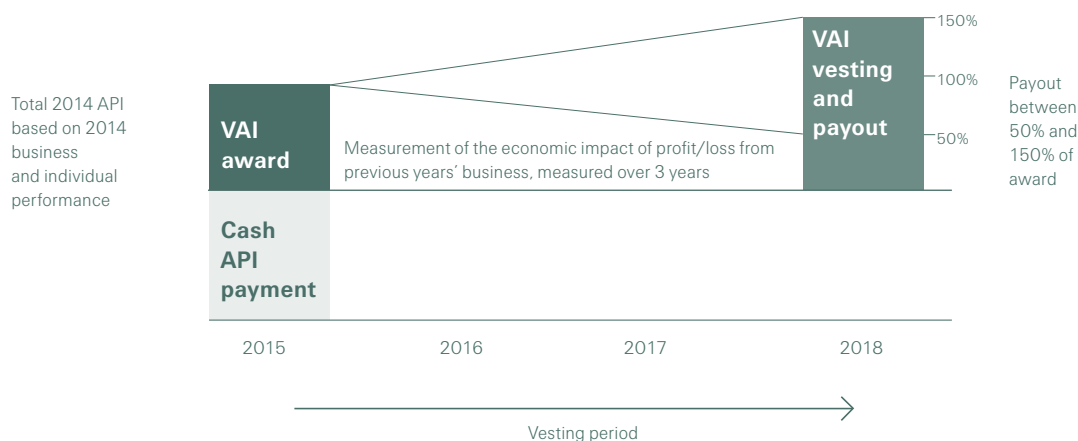
At the end of the deferral period, VAI will be settled in cash. For the full three-year performance measurement period, forfeiture conditions apply.

Additionally, clawback provisions apply in a range of events as defined in the plan rules, enabling Swiss Re to seek repayment of settled awards. Examples of events are the Participant’s conduct or acts which can be considered malfeasance, fraud or misconduct.

Portion of API that is deferred

	Deferral into VAI
Group CEO	50% of API
Group EC members	45% of API
Group Managing Directors	40% of API
All other employees	50% of the amount at or above USD 100 000 up to a maximum of 40% of API

Value Alignment Incentive



Leadership Performance Plan Purpose

The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create successful and sustainable company performance over the long-term. The LPP is a forward-looking instrument awarded to participants as part of total target compensation with an objective to incentivise decision-making that is in the shareholders' interest.

The intention of the LPP is to:

- focus participants' energies on earnings, capital efficiency and Swiss Re's position against peers, all of which are critical to sustained shareholder value creation;
- focus participants on long-term goals which are forward-looking;
- attract and retain individuals of exceptional skill; and
- provide competitive compensation that rewards long-term performance.

Plan duration

For Group EC members (and Group Managing Directors), the duration of the LPP is five years comprising a three-year vesting and performance measurement period and an additional two-year holding requirement. For all other participants, the vesting and performance measurement period is three years with no additional holding requirement.

Structure

At grant date, the award is split into two underlying components – Restricted

Share Units (RSUs), and Performance Share Units (PSUs).

Restricted Share Units

The performance condition for RSUs is return on equity (ROE) with a linear vesting line. Vesting is at 0% for an ROE at risk-free rate* and at 100% for an ROE at a predefined premium above risk free rate. The premium is set at the beginning of the plan period and for LPP 2014 this premium has been set at 900 basis points above the risk-free rate. At the end of each year, the performance against the ROE condition is assessed and one third of the RSUs are locked in within a range from 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%**).

Performance Share Units

The performance condition for PSUs is relative total shareholder return (TSR) measured over three years. The PSUs vest within a range of 0% to 200%. The vesting curve starts with 50% vesting at the 50th percentile of TSR relative to peers and is capped at 200%** vesting at the 75th percentile. In case of a negative TSR over three years, the Compensation Committee retains the right to reduce the level of vesting.

Swiss Re's TSR performance is assessed relative to the TSR of the peer group. The defined peer group consists of companies that are similar in scale, have a global footprint or a similar business mix as Swiss Re. The peer group which

is set at the beginning of the plan period is ACE Ltd, Allianz SE, American International Group Inc, Amlin PLC, AXA SA, Catlin Group Ltd, Everest Re Group Ltd, Hannover Rueck SE, Muenchener Rueckversicherungs-Gesellschaft AG, PartnerRe Ltd, Reinsurance Group of America Inc, RenaissanceRe Holding Ltd, SCOR SE, XL Group PLC and Zurich Insurance Group Ltd.

Settlement

At the end of the three-year measurement period, both RSUs and PSUs will typically be settled in Swiss Re Ltd shares. For Group EC members, an additional two-year holding is required. For the full three-year performance measurement period, forfeiture conditions apply.

Additionally, clawback provisions apply in a range of events (same as outlined under the VAI section) as defined in the plan rules, enabling Swiss Re to seek repayment of settled awards.

LPP grant

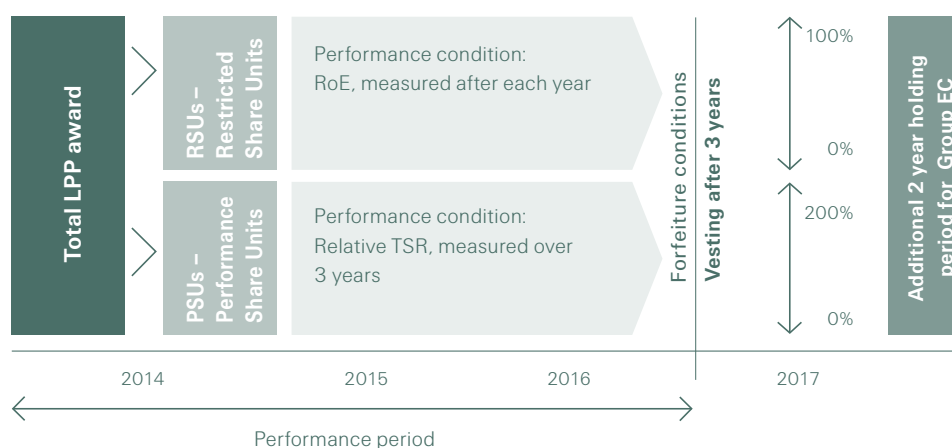
The amounts disclosed under LPP in the section Compensation decisions in 2014 reflect the grants made in April 2014. This LPP award will be measured over the period 2014 to 2016 and will vest in 2017.

Swiss Re also makes it possible for all LPP participants to have shares sold or automatically settled on a net basis as applicable, to cover statutory tax and social security liabilities that may arise at vesting.

* Annual risk-free rate is determined as the average of 12 monthly rates for 5-year US Treasury Bonds of the corresponding performance year.

** Maximum vesting percentage excludes share price fluctuation until vesting.

Leadership Performance Plan



Funding of the Annual Performance Incentive and Leadership Performance Plan pools

The Compensation Committee focuses primarily on financial results and qualitative criteria in determining global variable compensation pools.

The Compensation Committee receives proposals from management requesting the total funding for variable compensation pools for both the API and the LPP. The management proposal for the annual API pool is generally based on the Group's overall performance for the year. The LPP pool is reviewed in the context of sustainable business performance and affordability, but generally remains stable. The Compensation Committee considers these proposals and recommends a total pool to the full Board of Directors for approval. The Compensation Committee and the Chairman of the Board of

Directors also propose an individual award for the Group CEO within this overall pool. The VAI is not funded as a separate pool, and the API pool will include amounts paid in immediate cash as well as the amounts to be deferred into the VAI.

In 2012 Swiss Re introduced a three-step process to assess business performance to help determine the overall Group API pool. The process comprises a financial, a qualitative and an overall assessment. The financial assessment covers US GAAP income, EVM profit, economic net worth and return on equity measures both for the Group and each business unit individually. Additionally, multi-year comparisons and an assessment of the quality of earnings are also considered. The chart below gives more detail on the criteria used to determine the size of the pool. The business units then allocate

their pools following a similar assessment.

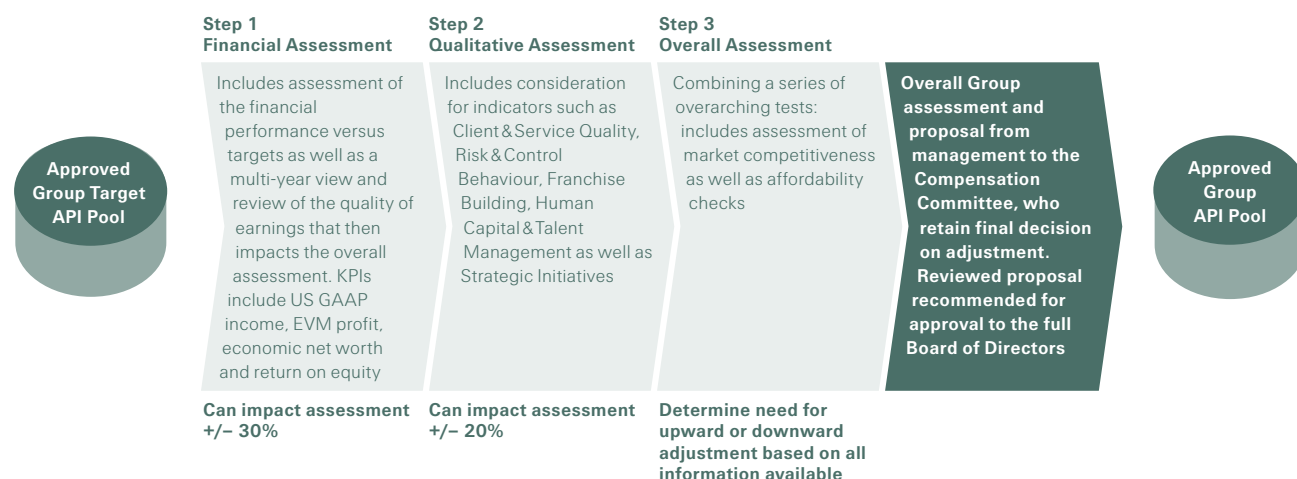
Global Share Participation Plan

Swiss Re offers its employees an opportunity to directly participate in the long-term success of the company by purchasing Swiss Re Ltd shares (up to a maximum of CHF 7 000 per year), through the GSPP. The company provides a 30% match on the number of shares held by employees at the end of the three-year holding period. The match is subject to forfeiture rules in case of termination of employment before the end of the plan cycle. The GSPP has the same core design in all locations.

Incentive Share Plan

Employees also have the opportunity to receive some or all of their immediate cash API in the form of shares subject to a one-year blocking period under the ISP, encouraging alignment with shareholder interests. After one year, the restriction period ceases.

Group API pool funding process



Benefits

Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework and principles while appropriately reflecting differing local employment market conditions.

The key objectives of Swiss Re's benefits packages are to:

- provide a proper degree of security for employees as it relates to pension, health matters, disability and death;
- be competitive in the markets where Swiss Re competes for talent as such prerequisites are generally provided where they are market driven; and

- connect with Swiss Re values and enhance engagement where this is deemed important (in the form of global programmes).

Discontinued compensation plans

Long-Term Incentive

Until 2012, a different vintage of the LTI plan was awarded to employees. The last outstanding award vested in March 2014.

The LTI awards vested after three years and were paid in Swiss Re shares, provided the performance thresholds were met. For each LTI plan year, final payment, if any, occurred at the end of the respective three-year performance measurement period. The plan included a payout factor which could vary between zero and two, driven by average ROE and average earnings per share (EPS) over the performance period. The final payment in respect of each plan depended on whether performance targets, expressed as average ROE and EPS, had been achieved over the plan period, as well as the share price at conclusion.

Compensation framework for Group EC members

The Group CEO and the other members of the Group EC are remunerated under the same compensation framework as all other Swiss Re employees, except for the following:

- Compensation approval: as of the AGM 2015, the aggregate compensation of the Group EC members is subject to AGM approval as outlined in the Articles of Association.
- Cap on API: an extra cap applies on actual API awards which means that actual API awards for Group EC members cannot exceed 300% of base salary.
- LPP plan duration: for Group EC members, the LPP plan duration is five years. Plan duration comprises a three-year vesting and performance measurement period and an additional two-year holding requirement.
- Stock Ownership Guidelines: the Group EC members are subject to the Stock Ownership Guidelines (covered below).

In 2014, for the members of the Group EC including the Group CEO, the total of the aggregate TAPIs was CHF 15.1 million (capped at both 2x TAPI or 3x annual base salary) and the aggregate LPP 2014 award was CHF 11.4 million. For the Group CEO the TAPI was CHF 2.5 million and the LPP award was CHF 2.0 million.

The Compensation Committee assesses the performance of the Group CEO and the Group EC members against a set of quantitative and qualitative objectives. The main financial performance indicators are based on US GAAP income, EVM profit, economic net worth and ROE. The qualitative criteria include client and service quality, franchise building, leadership and talent management as well as risk- and control-related behaviour objectives. These objectives are agreed at the beginning of the year and are aligned with the Group's plans.

Benchmarking

The external advisor to the Compensation Committee conducts an annual review of the compensation for the Group EC relative to a group of reference companies in the financial services industry to ensure that market competitiveness is maintained. The reference companies are regularly reviewed by the Compensation Committee to ensure their continued relevance. The core peer group consists of the following globally active primary insurance and reinsurance firms: ACE Ltd, Allianz SE, American International Group Inc, Aviva PLC, AXA SA, Generali, Hannover Rueck SE, Metlife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, PartnerRe Ltd, QBE Insurance Group Ltd, Reinsurance Group of America Inc, SCOR SE, XL Group PLC and Zurich Insurance Group Ltd.

Employment conditions

The Group CEO and the other Group EC members have employment contracts with notice periods of 12 months and without severance payment agreements. Information on "change of control" clauses is covered in the Corporate Governance section on page 103 of this Financial Report. Executives are covered by the Group's standard defined-contribution pension plans.

Stock Ownership Guidelines

With effect from 1 January 2010, Swiss Re established stock ownership guidelines which articulate the levels of stock ownership expected of the members of the Group EC. The guidelines are designed to increase the alignment of individual members of senior management with shareholders and demonstrate that Swiss Re executives bear the same risks as other shareholders.

The guidelines define target ownership by role and the ownership levels required are:

- Group CEO — 3x annual base salary; and
- Group EC members — 2x annual base salary.

Members have a five-year timeframe to achieve these targets. In addition, because Swiss Re believes that a meaningful stock ownership position is essential, restrictions on the immediate cash portion of API delivered will apply if these levels are not met within the specified timeframe.

The determination for whether a Group EC member has met the guidelines will include all vested shares that are owned directly or indirectly by the relevant members and related parties.

Compensation framework for the Board of Directors

The objective in compensating members of the Board of Directors is to attract and retain experienced individuals who are motivated to perform a critical role in the strategic oversight of the company and to contribute their individual business experience and expertise. The structure of compensation for members of the Board of Directors must, however, take account of the way their contribution to the success of Swiss Re differs from that of the Group EC.

It is important that the compensation elements are used so as to achieve a strong alignment with the interests of the shareholders of Swiss Re. Therefore, a significant portion of the compensation arrangements for the Board of Directors consists of shares of Swiss Re Ltd, in line with best practice.

The fees for the Board of Directors are determined in advance for the term of office they are elected for. They receive no variable or performance-based compensation. The fee level for each Board member is reviewed annually to ensure that it remains appropriate.

Compensation structure

Group fees for the members of the Board of Directors are delivered 60% in cash, and a mandatory 40% in Swiss Re Ltd shares, with a four-year blocking period.

Roles and time commitment

The fees for the members of the Board of Directors reflect differing levels of responsibility and time commitment. The individual levels of pay therefore vary. Certain committees, such as the Audit Committee as well as the Finance and Risk Committee, meet more frequently with longer meetings and require more preparation time than other committees and hence have higher workloads. Chairpersons of these committees devote even more time to their tasks.

The Chairman of the Board of Directors devotes himself full-time to his role. In defining the position of Chairman as a full-time role, Swiss Re applies international best practice for highly regulated, complex financial institutions. The Chairman participates in developing the firm's strategy, supervises the implementation of the agreed strategy and organises the work of the Board of Directors and its committees. He also has an important task, together with the Group CEO, in representing the firm to outside parties including shareholders, industry associations, the media and the general public, at all key locations where Swiss Re operates.

Swiss Re has two Vice Chairmen. One Vice Chairman was appointed in 2009 and chairs the Investment Committee, and since 2012 also the Finance and Risk Committee. Additionally he is a member of the Chairman's and Governance Committee. Throughout the year, this Vice Chairman devotes about three-quarters of his time to his tasks. An additional Vice Chairman was appointed in 2012, acting also as the Lead Independent Director since 2014. He is also a member of the Chairman's and Governance Committee, chairs the Audit Committee and is a member of the Compensation Committee. The Board of Directors may assign further tasks to the Vice Chairmen. Such tasks may include representation of the Board of Directors in the Boards of the Group's US or European subsidiaries, which are highly relevant to Swiss Re from both a risk and revenue perspective.

The degree of in-depth oversight requires from each Board member a high level of professional experience and expertise in their respective field. Furthermore, the demands on the Chairs

of the respective committees continue to increase. Swiss Re is confident that the skill set of its Board of Directors is well balanced, which in turn ensures an effective level of supervision.

Valid cross-border comparisons of the roles and responsibilities of the Swiss Re Board against the boards of other international companies are clearly difficult to make, given both the differing legal environment and operating context within each country. Nevertheless, it is apparent that the demands on the Swiss Re Board members are particularly significant, and that these requirements continue to increase. In addition to their core responsibilities, Board members, similar to the Chairman, are regularly asked to meet with external stakeholders including regulators, political authorities and investors, all of which warrant additional time, dedication and commitment from the individuals concerned.

Fee approval

As of the AGM 2015, the aggregate compensation of the Board of Directors until the next AGM is subject to shareholder approval as outlined in the Articles of Association.

Subsidiary boards of directors

The majority of the members of the boards at the subsidiary level are Swiss Re executives and they receive no additional fees for their services in this role. The non-executive members of the boards receive their fees 100% in cash.

Compensation governance

ROLES AND RESPONSIBILITIES

Authority for decisions related to compensation are governed by the Articles of Association, the Corporate Bylaws and the Compensation Committee Charter (Charter). The main responsibilities of the Compensation Committee are summarised in the table on the right.

The Articles of Association of Swiss Re Ltd include rules on:

- the approval of compensation at the AGM (Art. 22);
- the supplementary amount for changes in the Group EC (Art. 23);
- the compensation principles for both the members of the Board of Directors and the Group EC covering short-term and long-term elements, performance related pay, registered shares, financial instruments or units, compensation in kind or other types of benefits (Art. 24); and
- the agreements with members of the Board of Directors and the Group EC, external mandates, credits and loans (Arts. 25 to 27).

Full details on these rules are available on the Swiss Re website: www.swissre.com – About us – Corporate Governance – Articles of Association of Swiss Re Ltd.

Function	Description of role and responsibilities
Board of Directors	<ul style="list-style-type: none"> ■ Is supported by the Compensation Committee in establishing and reviewing the Company's compensation strategy and guidelines and performance criteria as well as in preparing the proposals to the AGM regarding the compensation of the members of the Board of Directors and the Group EC ■ Further details can be found in the Corporate Governance section on pages 82–95
Compensation Committee	<ul style="list-style-type: none"> ■ Consists of at least three independent members of the Board of Directors, and each member of the Compensation Committee is elected individually at the AGM for a term of office until completion of the next AGM ■ Submits proposals and recommendations to the Board of Directors on compensation-related issues ■ Has a Charter established by the Board of Directors, which defines purpose, composition and procedural rules of the Compensation Committee, including its responsibilities and authorities for making proposals and decisions related to compensation of the members of the Board of Directors and the Group EC ■ Responsible for making recommendations and overseeing the design and implementation of compensation principles, policy, framework, plans and disclosure ■ Reviews compensation principles, policies and plans annually to ensure that they remain in line with Swiss Re's objectives and strategy, shareholders' interests as well as legal and regulatory requirements ■ Further details can be found in the Corporate Governance section on page 90
Management	<ul style="list-style-type: none"> ■ The Group CEO, Group Chief Operating Officer and Chief Human Resources Officer are normally invited to attend Compensation Committee meetings ■ Other members of senior management may attend as deemed appropriate by the Compensation Committee ■ No individual may attend any part of a meeting where his or her own compensation is discussed
Secretary	<ul style="list-style-type: none"> ■ The Head Reward serves as the Secretary to the Compensation Committee and attends its meetings (apart from the Executive Sessions)
External Advisors	<ul style="list-style-type: none"> ■ Mercer – provides information about remuneration trends and advice on executive compensation issues ■ Niederer Kraft & Frey AG – provides legal advice, mainly about specific aspects of compliance and disclosure matters <p>These advisors are retained by the Compensation Committee. They provide the Compensation Committee with an external perspective and from time to time provide other services to Swiss Re.</p>

Compensation approval

The table below shows the role of the Compensation Committee in approving compensation.

Decision on	Proposed	Reviewed/Endorsed	Approved
Total amount for API and LPP (Group Variable Compensation Pools)	Compensation Committee	Chairman of the Board of Directors	Board of Directors
Total compensation of the members of the Board of Directors ¹	Compensation Committee, Chairman of the Board of Directors ²	Board of Directors	Shareholders at AGM ³
Aggregate total amounts of fixed and variable Group EC compensation	Compensation Committee, Chairman of the Board of Directors	Board of Directors	Shareholders at AGM ³
Compensation of the Group CEO	Chairman of the Board of Directors, Compensation Committee		Board of Directors ⁴
Individual compensation of the members of the Group EC (excl. Group CEO)	Group CEO	Chairman of the Board of Directors	Compensation Committee ^{4,5}

¹ Board members concerned abstain from voting

² Other than the Chairman compensation

³ As from AGM 2015

⁴ Within the aggregate amounts of Group EC compensation approved at the AGM

⁵ Board of Directors informed

Compensation Committee's time allocation to key topics in 2014



- 17% Variable compensation for the Group
- 14% Review of compensation framework
- 20% Compliance and regulatory
- 8% Compensation and performance of Group EC members
- 21% Executive sessions
- 20% Other topics

Compensation Committee activities

The Compensation Committee has an annual agenda to ensure that important reviews take place at the appropriate times throughout the year. The Compensation Committee also conducts periodic self-assessments to ensure its continued high level of effectiveness and commits time to executive sessions. It held six meetings during 2014 and provided an update to the Board of

Directors on decisions, topics discussed and items for approval after each of these meetings. A summary of the topics dealt with by the Compensation Committee during the year is shown on page 134.

HIGH-LEVEL OVERVIEW OF TOPICS DISCUSSED

Variable compensation for the Group

At Swiss Re, the compensation cycle begins in December and runs through to March/April of the following year. The Compensation Committee oversees each stage of the process, starting with deciding on the variable compensation pool for the prior performance year, reviewing these decisions, and setting targets for the upcoming year.

Outlined below is an overview of the topics discussed during 2014:

Items relating to past performance cycle

	MEETING
■ Performance assessment process and proposal of the Group API pool for the prior business year	January and February
■ Approval of performance factors for deferred compensation awards	February and April
■ Review of the decisions made during the prior compensation cycle	June

Items relating to the upcoming performance cycle

■ Review and recommendation of the LPP pool for the upcoming year	January and February
■ Setting of the performance targets for variable and long-term compensation for the upcoming year	February

Compensation and performance of Group EC

The compensation of the Group EC follows the same cycle as that for the Group. Again, the Compensation Committee is fully involved through all stages of the process, and all decisions are owned by the Compensation Committee and the Board of Directors.

■ Performance assessment of the prior year	January and February
■ Approval of individual compensation proposals for the Group EC	February
■ Review and confirm reference companies for the Group EC compensation benchmarking	April
■ Analysis of Group EC members' compensation relative to external peers	June

Compensation of the Board of Directors

The compensation of the Board of Directors is reviewed annually and the Compensation Committee formulates proposals for the attention of the Board of Directors accordingly.

■ Fees of the Board of Directors for the following compensation period	February and April
■ Approval of the Board of Directors compensation policy	February and March
■ Analysis of compensation practices for non-executive directors relative to the market	September

Compensation principles and plans

■ Review and update of the LPP principles	January and February
■ Annual benefits review	June
■ Review of the Group Compensation Policy	June, September and December
■ Review and update of the VAI plan	September and December

Compliance and regulatory

The Compensation Committee spends time reviewing materials relating to regulatory or statutory reporting. In addition, the structure of the Compensation Committee and its advisors is reviewed on an ongoing basis.

■ Review and proposal of the Compensation Report	January, February, June and December
■ Compliance and regulatory developments	All meetings
■ Review of the role and mandate of external advisors	September and December

The role of the Control Functions in compensation

The role of Swiss Re's Control Functions (defined as Group Risk Management, Compliance and Group Internal Audit) in compensation matters is well established.

Control assessment of Group and business functions

The Compensation Committee continues to focus on the link between compensation and risk awareness. The Control Functions provide assessments on the business' risk- and control-related behaviour and performance. This information is collected from all Control Functions and combined into a Group report. This report includes information on each business function.

Control assessment of Key Risk Takers

Key Risk Takers are defined as individuals who, by the nature of their role, can materially commit or control Swiss Re's resources, or influence its risk profile. Swiss Re bears risks in the course of its business activities, including market, credit and liquidity, underwriting, operational (including legal and compliance) and reputational risk.

Swiss Re has identified 141 positions that qualify as Key Risk Takers. This group consists of the members of the Group EC and other roles with significant risk authority.

The Control Functions together with senior management review and update the list of Key Risk Takers on an annual basis.

Influence of the control assessment on compensation

The control assessment provides additional input to determining the Group API pool. It also influences the API pool that is allocated to each business function.

Since Key Risk Takers are responsible for managing substantial risk, their performance in this task needs to be assessed. The Control Functions assess the risk- and control-related behaviour of each Key Risk Taker and deliver a report to the business and Human Resources on an annual basis. This assessment serves as an additional factor when considering the individual performance and compensation review.

Independence of the Control Functions

In order to ensure the continued independence of Control Functions, their compensation approval processes differ in that the key annual compensation decisions for these functions are approved at the Board level.

This includes the approval by the Chairman of the Audit Committee as well as by the Chairman of the Finance and Risk Committee of the aggregate API pool of their respective Control Functions, as well as the approval of the individual compensation for the head of each Control Function.

Compensation decisions in 2014

Compensation decisions for employees

Payouts of deferred compensation plans

Value Alignment Incentive

The VAI performance is measured for the Group and each underlying business area. Participants receive the performance factor relating to the business area that they were in at the time of award. In March 2014, the Group VAI 2010 (awarded in 2011) vested with an average performance factor of 105.9%.

The VAI 2010 performance factor of 105.9%, which applies to all Group functions, was mainly driven by positive investment performance in 2012 and 2013 and favourable prior year development.

Status of Value Alignment Incentive awards

VAI plan year	Performance measurement period elapsed as of 31 December 2014	Performance factor
2009 (awarded 2010)	3 years (closed)	104.0%
2010 (awarded 2011)	3 years (closed)	105.9%
2011 (awarded 2012)	3 years	to be determined
2012 (awarded 2013)	2 years	to be determined
2013 (awarded 2014)	1 year	to be determined

Long-Term Incentive

For the vesting in March 2014 of the last Long-Term Incentive (LTI) award (the LTI 2011), an indicative share price of CHF 82.20 was used for the settlement calculation for the Financial Report 2013 (page 120). This indicative share price was set as at 28 February 2014. Final settlement of the LTI 2011 was calculated at vesting on 31 March 2014 at a share price of CHF 81.95, corresponding to the closing share price at the actual vesting date. The difference of CHF 0.25 in the share price only impacted the 'Weighted average value per unit at vesting'. This was disclosed in 2013 as CHF 49.16 but with the final share price of CHF 81.95 should have been CHF 49.09 on settlement. The other amounts disclosed in 2013 in respect of the LTI 2011 remain unchanged. The LTI plan has been discontinued and replaced by the LPP in 2012.

Aggregate variable compensation expense

The Compensation Committee takes its decisions to award variable compensation on an economic value basis at the time of grant. In the financial statements the recognition of deferred compensation follows the accrual principles as defined under US GAAP. The financial statements reflect the aggregate value of variable compensation for the year under review as follows:

CHF millions	Economic value at grant	US GAAP accounting year 2014		
		Accrued grant value	Fair value mark-up	Total expense
Cash API 2014	329	329		329
VAI 2014 (awarded 2015)	51			
LPP 2014 (granted 2014) ¹	45	11		11
Cash API 2013 ²			1	1
VAI 2010 - 2013 (awarded 2011 - 2014)		60	2	62
LPP 2012 - 2013 (granted 2012 - 2013)		26	1	27
LTI 2011 (granted 2011)		3	6	9
Total		429	10	439

¹ Aligning with new guidance as outlined on page 138, disclosure reflects awards for a reporting year, ie the 2014 value reflects the fair value of LPP granted in April 2014.

² Accrual related to prior performance year.

Aggregate compensation of the Swiss Re Group

The aggregate compensation for the performance years 2013 and 2014 for all employees was as follows:

Category	Type of plan	Performance Year 2013		Performance Year 2014	
		Number of participants	Values (in CHF millions)	Number of participants	Values (in CHF millions)
Fixed compensation	Base salaries	11 574	1 122	12 224	1 169
	Pensions, social security and benefits	11 574	457	12 224	464
Annual Performance Incentive	Cash Annual Performance Incentive	10 318	357	10 356	329
	Value Alignment Incentive	959	63	828	51
Long-term variable compensation	Leadership Performance Plan ¹	243	43	278	45
Other payments	Severance payments ²	355	19	397	22
	Sign-on payments	83	4	55	1

¹ Aligning with new guidance as outlined on page 138, disclosure reflects all awards for a reporting year, ie the 2013 value reflects the fair value of LPP granted in April 2013 and the 2014 value reflects the fair value of LPP granted in April 2014.

² Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.

As of 31 December 2014, Swiss Re Group employed 12 224 regular staff worldwide, compared to 11 574 employees at the end of 2013.

Aggregate compensation for Key Risk Takers

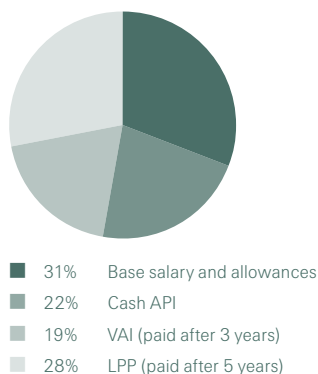
The aggregate compensation of the individuals that held a key risk-taking position during the performance years 2013 and 2014 was:

Category	Type of plan	Performance Year 2013		Performance Year 2014	
		Number of participants	Values (in CHF millions)	Number of participants	Values (in CHF millions)
Fixed compensation	Base salaries	140	55	141	57
	Pensions, social security and benefits	140	28	141	31
Annual Performance Incentive	Cash Annual Performance Incentive	137	45	140	45
	Value Alignment Incentive	136	30	139	28
Long-term variable compensation	Leadership Performance Plan ¹	114	32	126	32
Other payments	Severance payments ²	0	0	1	0
	Sign-on payments	2	2	0	0

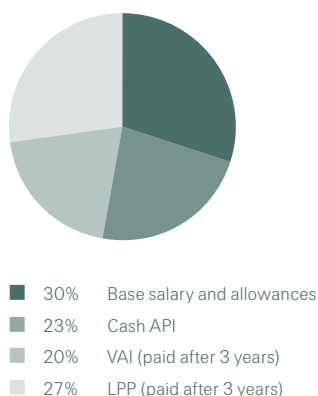
¹ Aligning with new guidance as outlined on page 138, disclosure reflects all awards for a reporting year, ie the 2013 value reflects the fair value of LPP granted in April 2013 and the 2014 value reflects the fair value of LPP granted in April 2014.

² Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.

Compensation mix for Group EC 2014



2013



Compensation decisions for members of governing bodies

The section below is in line with Swiss law and specifically with articles 14 to 16 of the Ordinance which requires disclosure of compensation paid to members of the Board of Directors and the Group EC. This section replaces previous disclosure under Article 663b^{bis} of the Swiss Code of Obligations. Compensation to members of the Board of Directors and the highest paid member of the Group EC is shown individually. This section (pages 138 to 143) is audited as required by the Ordinance.

In order to align with new guidance issued in the context of the Ordinance, disclosure of the LPP now reflects all awards for a reporting year. Accordingly, the 2013 value now reflects the fair value of LPP granted in April 2013 and the 2014 value reflects the fair value of LPP granted in April 2014. In the Compensation Report 2013, disclosure reflected awards within a compensation cycle: The 2012 column had reflected the fair value of LPP granted in April 2013 (the CHF 12.4 million now included for 2013 below), and the 2013 column had reflected the fair value of LPP granted in April 2014 (the CHF 11.4 million now included in 2014).

Compensation decisions for the Group EC

The variable compensation awarded to all members of the Group EC (including the Group CEO) totalled CHF 28.1 million for 2014, compared to CHF 31.0 million in 2013. The following table covers payments to 12 members for 2013 who were all employed for the full year. The 2014 payments cover 13 members, of whom 11 were employed for the full year.

CHF thousands	12 members 2013	13 members ⁷ 2014
Base salary and allowances ¹	12 984	12 711
Funding of pension benefits	1 914	1 845
Total fixed compensation	14 898	14 556
Cash Annual Performance Incentive ²	10 072	9 036
Value Alignment Incentive ²	8 532	7 620
Leadership Performance Plan ³	12 400	11 400
Total variable compensation	31 004	28 056
Total fixed and variable compensation⁴	45 902	42 612
Compensation due to members leaving ⁵		
Total compensation⁶	45 902	42 612

¹ Consisting of housing, schooling, lump sum expenses, child and similar allowances.

² For 2014, subject to shareholders approval at the AGM 2015.

³ Disclosure reflects all awards for a reporting year, ie the 2013 value reflects the fair value of LPP granted in April 2013 and the 2014 value reflects the fair value of LPP granted in April 2014.

⁴ Covers payments reflecting the time in the role as Group EC members.

⁵ For members leaving during the reporting period, this covers only legally or contractually required payments for the period when the member was no longer in the role (e.g. base salary when on garden leave).

⁶ Amounts are gross and include social security contributions of the employee. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 3 116 428 in 2013 and CHF 3 802 474 in 2014.

⁷ Represents incumbents and not positions.

Compensation decisions for the Group CEO

Michel M. Liès, Group CEO since February 2012

CHF thousands	2013	2014
Base salary and allowances	1 639	1 651
Funding of pension benefits	177	177
Total fixed compensation	1 816	1 828
Cash Annual Performance Incentive ¹	1 600	1 250
Value Alignment Incentive ¹	1 600	1 250
Leadership Performance Plan ²	2 000	2 000
Total variable compensation	5 200	4 500
Total compensation³	7 016	6 328

¹ For 2014, subject to shareholders approval at the AGM 2015.

² Disclosure reflects all awards for a reporting year, ie the 2013 value reflects the fair value of LPP granted in April 2013 and the 2014 value reflects the fair value of LPP granted in April 2014.

³ Amounts are gross and include social security contributions of the employee. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 491 381 in 2013 and CHF 359 721 in 2014.

Additional information on compensation decisions

Amounts reported under base salary and allowances include the base salary which is paid in cash, as well as benefits or allowances paid in cash.

Total fixed compensation (excluding funding of pension benefits) reflects the portion of the total compensation that is fixed and therefore not variable with performance. For 2014, the portion of Group EC compensation that is fixed amounts to 31% (compared to 30% for 2013).

For US GAAP and statutory reporting purposes, VAI and long-term incentive awards are accrued over the period during which they are earned. For the purpose of the disclosure required in this Compensation Report, the value of awards granted is included as compensation in the year of performance for the years 2013 and 2014 respectively.

Each member of the Group EC (including the Group CEO) participates in a defined-contribution pension scheme. The funding of pension benefits shown in the table above and on page 138 reflects the actual employer contributions.

Other payments to members of the Group EC

During 2014, no payments (or waivers of claims) other than those set out in the "Compensation decision" tables were made to current members of the Group EC or persons closely related.

Shares held by members of the Group EC

The following table reflects total current Swiss Re share ownership by members of the Group EC as of 31 December:

	2013	2014
Michel M. Liès, Group CEO	171 947	187 690
David Cole, Group Chief Financial Officer ¹		28 755
John Dacey, Group Chief Strategy Officer, Chairman Admin Re®		45
Guido Fürer, Group Chief Investment Officer	21 253	32 315
Agostino Galvagni, CEO Corporate Solutions	108 060	64 860
Jean-Jacques Henchoz, CEO Reinsurance EMEA	16 335	38 280
Christian Mumenthaler, CEO Reinsurance	50 984	40 000
Moses Ojeisekhoba, CEO Reinsurance Asia	8 583	14 369
George Quinn, former Group Chief Financial Officer ²	96 506	n/a
Matthias Weber, Group Chief Underwriting Officer	38 592	57 649
Thomas Wellauer, Group Chief Operating Officer	17 708	75 973
Total	529 968	539 936

¹ Appointed as Group Chief Financial Officer as of 1 May 2014.

² Member of the Group EC until 30 April 2014.

Unvested restricted share units held by members of the Group EC

Prior to the introduction of the LPP, Swiss Re did not grant restricted share units on a regular basis, except for events such as exceptional business cycles, significant acquisitions or the replacement of forfeited awards for new executive hires.

The following table reflects unvested restricted share unit ownership by members of the Group EC as of 31 December:

	2013	2014
Moses Ojeisekhoba, CEO Reinsurance Asia	5 693	
Total	5 693	0

Vested options held by members of the Group EC

The following table reflects total vested option ownership by members of the Group EC as of 31 December:

	2013	2014
Weighted average strike price in CHF	83.92	74.34
Michel Liès, Group CEO	42 000	15 000
Guido Fürer, Group Chief Investment Officer	7 500	
George Quinn, former Group Chief Financial Officer ¹	20 000	n/a
Matthias Weber, Group Chief Underwriting Officer	7 000	3 500
Total	76 500	18 500

¹ Member of the Group EC until 30 April 2014.

Swiss Re granted options to senior management in the past and the last grant was made in 2006. The underlying strike price for the outstanding option series has been adjusted for special dividend payouts. The remaining vested options held by active members of the Group EC will expire in 2015.

Leadership Performance Plan units held by members of the Group EC

The following table reflects total unvested LPP units held by members of the Group EC as of 31 December:

	2013 ³	2014
Michel Liès, Group CEO	108 795	133 290
David Cole, Group Chief Financial Officer ¹	69 280	60 160
John R. Dacey, Group Chief Strategy Officer, Chairman Admin Re®	17 685	34 210
Guido Fürer, Group Chief Investment Officer	47 760	47 190
Agostino Galvagni, CEO Corporate Solutions	77 825	60 160
Jean-Jacques Henchoz, CEO Reinsurance EMEA	47 740	48 135
Christian Mumenthaler, CEO Reinsurance	77 825	60 160
Moses Ojeisekhoba, CEO Reinsurance Asia	34 915	48 135
George Quinn, former Group Chief Financial Officer ²	86 375	n/a
J. Eric Smith, CEO Swiss Re Americas	34 915	48 135
Matthias Weber, Group Chief Underwriting Officer	65 005	60 160
Thomas Wellauer, Group Chief Operating Officer	77 825	60 160
Total	745 945	659 895

¹ Appointed as Group Chief Financial Officer as of 1 May 2014.

² Member of the Group EC until 30 April 2014.

³ Also includes unvested LTI 2011 units.

Loans to members of the Group EC

As per Art. 27 of the Articles of Association, credits and loans to members of the Group EC may be granted at employee conditions applicable for the Swiss Re Group, with a cap on the total amount of such credits and loans outstanding per member.

In general, credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are typically the same as those available to all employees of the Swiss Re Group in their particular locations to the extent possible. For example, in Switzerland fixed-rate mortgages have a maturity of five years and interest rates that correspond to the five-year Swiss franc swap rate plus a margin of 10 basis points.

Swiss-based variable-rate mortgages have no agreed maturity dates. The basic preferential interest rates equal the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. Where fixed or floating interest rates are preferential, the value of this benefit has been included in the line item "base salary and allowances" on pages 138 and 139.

The following table reflects total mortgages and loans for members of the Group EC as of 31 December.

CHF thousands	2013	2014
Total mortgages and loans to members of the Group EC	3 956	2 411
Highest mortgages and loans to an individual member of the Group EC:		
Christian Mumenthaler	1 919	1 895
Total mortgages and loans not at market conditions to former members of the Group EC	4 300	4 300

Compensation for the members of the Board of Directors

The individual compensation for the members of the Board of Directors for 2013 and 2014 was:

CHF thousands	Total 2013	Fees and allowances in cash	Fees in blocked shares	Total 2014
Walter B. Kielholz, Chairman	4 964	2 940	1 955	4 895
Mathis Cabiallavetta, Vice Chairman ¹	2 470	1 474	977	2 451
Renato Fassbind, Vice Chairman ²	504	473	316	789
Jakob Baer, former Member and Chairman of the Audit Committee ³	807	130	87	217
Raymund Breu, Member	335	201	130	331
Raymond K.F. Ch'ien, Member	353	209	140	349
John R. Coomber, former Member ³	409	70	43	113
Mary Francis, Member ⁴	200	312	132	444
Rajna Gibson Brandon, Member	328	202	130	332
C. Robert Henrikson, Chairman of the Compensation Committee	428	276	184	460
Malcolm D. Knight, former Member ³	353	57	38	95
Hans Ulrich Maerki, Member	328	213	137	350
Carlos E. Represas, Member ⁵	384	269	110	379
Jean-Pierre Roth, Member	277	164	110	274
Susan L. Wagner, Member ⁶		142	94	236
Total^{7,8}	12 140	7 132	4 583	11 715
Compensation for term of office from AGM to AGM ⁹	12 112			11 566

¹ Chairman of the Finance and Risk Committee, Chairman of the Investment Committee.

² Acting as the Lead Independent Director. Chairman of the Audit Committee since 11 April 2014.

³ Term of office expired as of 11 April 2014 and did not stand for re-election.

⁴ Elected to Swiss Re's Board of Directors at the Annual General Meeting of 10 April 2013. Includes fees for duties on the board of LUX Group companies in 2014.

⁵ Includes fees received for duties on the board of US Group companies.

⁶ Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

⁷ Compensation for the members of the Board of Directors includes fixed fees and allowances both in cash and shares. No sign-on or severance payments are made.

⁸ Amounts are gross and include social security contributions of the employee. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 1 282 026 in 2013 and CHF 598 083 in 2014. For BoD members domiciled outside of Switzerland, employer social security contributions are refunded, if bilateral social security agreements between Switzerland and the country of domicile apply and provide for such refund.

⁹ The fees are agreed for a term of office, ie from AGM 2013 to AGM 2014 and from AGM 2014 to AGM 2015 respectively. The fees are shown for the terms 2013/2014 and 2014/2015 for comparison purposes.

Shares held by members of the Board of Directors

The number of shares held by members of the Board of Directors as of 31 December were:

	2013	2014
Walter B. Kielholz, Chairman	399 490	425 710
Mathis Cabiallavetta, Vice Chairman	109 177	92 287
Renato Fassbind, Vice Chairman	7 655	11 889
Jakob Baer, former Member and Chairman of the Audit Committee ¹	44 699	n/a
Raymund Breu, Member	36 024	37 764
Raymond K.F. Ch'ien, Member	15 048	16 921
John R. Coomber, former Member ¹	140 200	n/a
Mary Francis, Member	1 027	2 791
Rajna Gibson Brandon, Member	26 047	27 787
C. Robert Henrikson, Chairman of the Compensation Committee	4 339	6 808
Malcolm D. Knight, former Member ¹	7 665	n/a
Hans Ulrich Maerki, Member	25 594	27 431
Carlos E. Represas, Member	8 900	10 372
Jean-Pierre Roth, Member	6 762	8 234
Susan L. Wagner, Member ²	n/a	1 267
Total	832 627	669 261

¹ Term of office expired as of 11 April 2014 and did not stand for re-election.

² Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

Vested options held by members of the Board of Directors

Swiss Re does not grant employee stock options to members of the Board of Directors. The stock options shown in the table below were awarded at a time when the recipients were still members of Swiss Re's executive management. The vested options held by members of the Board of Directors as of 31 December were:

	2013	2014
Weighted average strike price in CHF	83.04	74.34
Walter B. Kielholz, Chairman	40 000	20 000
John R. Coomber, former Member ¹	130 000	n/a
Total	170 000	20 000

¹ Term of office expired as of 11 April 2014 and did not stand for re-election.

The underlying exercise prices for the outstanding option series have been adjusted for special dividend payouts. The vested options held by members of the Board of Directors will expire in 2015.

Loans to members of the Board of Directors

The table below includes loans to the members of the Board of Directors. The loan included for 2013 was established when the recipient was still a member of Swiss Re's executive management and was repaid during 2014.

CHF thousands	2013	2014
Walter B. Kielholz	2 000	0

Related parties transactions

Disclosure on compensation decisions in 2014 covers members of the Group EC and the Board of Directors as indicated, and for both include related parties to the extent applicable. Such related parties cover spouses, partners, children and other dependents or closely linked persons. In 2014 no compensation was paid to any related party.

Compensation for former members of governing bodies

During 2014, payments in the total amount of CHF 1.0m were made to eight former members of the Group EC. This amount is made up of company contributions to social security paid by Swiss Re in line with applicable laws, benefits in the context of the outstanding mortgages and loans not at market rates above, risk benefits as well as company commitments for tax related services.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting on the
Compensation Report 2014

We have audited pages 138 to 143 of the accompanying Compensation Report included in this Financial Report 2014 dated 17 March 2015 of Swiss Re Ltd for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation at Public Corporations (the Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation Report.

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

Opinion

In our opinion, the Compensation Report included in the Financial Report 2014 of Swiss Re Ltd for the year ended 31 December 2014 complies with Swiss law and articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers AG



Alex Finn

Audit expert
Auditor in charge



Bret Griffin

Zurich, 17 March 2015

This page intentionally left blank

Financial statements

Group financial statements	148	Notes to the Group financial statements	154	Swiss Re Ltd	244
Income statement	148	Note 1 Organisation and summary of significant accounting policies	154	Annual Report	244
Statement of comprehensive income	149	Note 2 Information on business segments	162	Income statement	245
Balance sheet	150	Note 3 Insurance information	174	Balance sheet	246
Statement of shareholders' equity	152	Note 4 Premiums written	179	Notes	248
Statement of cashflow	153	Note 5 Unpaid claims and claim adjustment expenses	180	Proposal for allocation of disposable profit	256
		Note 6 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFB)	182	Report of the statutory auditor	257
		Note 7 Assets held for sale	183		
		Note 8 Investments	184		
		Note 9 Fair value disclosures	191		
		Note 10 Derivative financial instruments	203		
		Note 11 Debt and contingent capital instruments	208		
		Note 12 Earnings per share	211		
		Note 13 Income taxes	212		
		Note 14 Benefit plans	216		
		Note 15 Share-based payments	224		
		Note 16 Compensation, participations and loans of members of governing bodies	227		
		Note 17 Related parties	228		
		Note 18 Commitments and contingent liabilities	229		
		Note 19 Significant subsidiaries and equity investees	230		
		Note 20 Variable interest entities	233		
		Note 21 Restructuring provision	237		
		Note 22 Risk assessment	238		
		Report of the statutory auditor	240		
		Group financial years 2005–2014	242		

Income statement

For the years ended 31 December

USD millions	Note	2013	2014
Revenues			
Premiums earned	3	28 276	30 756
Fee income from policyholders	3	542	506
Net investment income – non-participating	8	3 947	4 103
Net realised investment gains/losses – non-participating business (total impairments for the years ended 31 December were 41 in 2013 and 40 in 2014, of which 41 and 40, respectively, were recognised in earnings)	8	766	567
Net investment result – unit-linked and with-profit	8	3 347	1 381
Other revenues		24	34
Total revenues		36 902	37 347
Expenses			
Claims and claim adjustment expenses	3	–9 655	–10 577
Life and health benefits	3	–9 581	–10 611
Return credited to policyholders		–3 678	–1 541
Acquisition costs	3	–4 895	–6 515
Other expenses		–3 508	–3 155
Interest expenses		–760	–721
Total expenses		–32 077	–33 120
Income before income tax expense		4 825	4 227
Income tax expense	13	–312	–658
Net income before attribution of non-controlling interests		4 513	3 569
Income attributable to non-controlling interests		–2	
Net income after attribution of non-controlling interests		4 511	3 569
Interest on contingent capital instruments		–67	–69
Net income attributable to common shareholders		4 444	3 500
Earnings per share in USD			
Basic	12	12.97	10.23
Diluted	12	11.89	9.39
Earnings per share in CHF¹			
Basic	12	12.04	9.33
Diluted	12	11.04	8.56

¹ The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

The accompanying notes are an integral part of the Group financial statements.

Statement of comprehensive income

For the years ended 31 December

USD millions	2013	2014
Net income before attribution of non-controlling interests	4 513	3 569
Other comprehensive income, net of tax:		
Change in unrealised gains/losses	-2 785	3 796
Change in other-than-temporary impairment	22	3
Change in foreign currency translation	-288	-778
Change in adjustment for pension benefits	419	-291
Total comprehensive income before attribution of non-controlling interests	1 881	6 299
Interest on contingent capital instruments	-67	-69
Comprehensive income attributable to non-controlling interests	-2	
Total comprehensive income attributable to common shareholders	1 812	6 230

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2013 USD millions	Unrealised gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	4 407	-28	-3 609	-953	-183
Change during the period	-3 057	34	-327	479	-2 871
Amounts reclassified out of accumulated other comprehensive income	-834			59	-775
Tax	1 106	-12	39	-119	1 014
Balance as of period end	1 622	-6	-3 897	-534	-2 815

2014 USD millions	Unrealised gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	1 622	-6	-3 897	-534	-2 815
Change during the period	6 479	4	-523	-422	5 538
Amounts reclassified out of accumulated other comprehensive income	-1 398		-41	36	-1 403
Tax	-1 285	-1	-214	95	-1 405
Balance as of period end	5 418	-3	-4 675	-825	-85

¹ Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.

² Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.

³ Reclassification adjustment included in net income is presented in the "Other expenses" line.

The accompanying notes are an integral part of the Group financial statements.

Balance sheet

As of 31 December

Assets

USD millions	Note	2013	2014
Investments	8, 9, 10		
Fixed income securities:			
Available-for-sale, at fair value (including 11 720 in 2013 and 12 677 in 2014 subject to securities lending and repurchase agreements) (amortised cost: 2013: 76 349; 2014: 77 867)		77 761	84 450
Trading (including 1 in 2013 and 645 in 2014 subject to securities lending and repurchase agreements)		1 535	2 219
Equity securities:			
Available-for-sale, at fair value (including 65 in 2013 and 311 in 2014 subject to securities lending and repurchase agreements) (cost: 2013: 6 110; 2014: 3 133)		7 076	4 024
Trading		615	65
Policy loans, mortgages and other loans		2 895	3 205
Investment real estate		825	888
Short-term investments, at fair value (including 4 425 in 2013 and 3 217 in 2014 subject to securities lending and repurchase agreements)		20 989	14 127
Other invested assets		11 164	9 684
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 585 in 2013 and 3 680 in 2014, equity securities trading: 21 180 in 2013 and 20 045 in 2014)		27 215	25 325
Total investments		150 075	143 987
Cash and cash equivalents (including 4 in 2013 and 65 in 2014 subject to securities lending)		8 072	7 471
Accrued investment income		1 018	1 049
Premiums and other receivables		12 276	12 265
Reinsurance recoverable on unpaid claims and policy benefits		8 327	6 950
Funds held by ceding companies		12 400	11 222
Deferred acquisition costs	6	4 756	4 840
Acquired present value of future profits	6	3 537	3 297
Goodwill		4 109	4 025
Income taxes recoverable		490	212
Deferred tax assets		5 763	6 118
Other assets		2 697	3 025
Total assets		213 520	204 461

The accompanying notes are an integral part of the Group financial statements.

Liabilities and equity

USD millions	Note	2013	2014
Liabilities			
Unpaid claims and claim adjustment expenses		61 484	57 954
Liabilities for life and health policy benefits	9	36 033	33 605
Policyholder account balances		31 177	29 242
Unearned premiums		10 334	10 576
Funds held under reinsurance treaties		3 551	3 385
Reinsurance balances payable		2 370	2 115
Income taxes payable		660	909
Deferred and other non-current tax liabilities		8 242	9 445
Short-term debt	11	3 818	1 701
Accrued expenses and other liabilities		8 152	6 873
Long-term debt	11	14 722	12 615
Total liabilities		180 543	168 420
Equity			
Contingent capital instruments	11	1 102	1 102
Common shares, CHF 0.10 par value			
2013: 370 706 931; 2014: 370 706 931 shares authorised and issued ¹		35	35
Additional paid-in capital		4 963	1 806
Treasury shares, net of tax		-1 099	-1 185
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 622	5 418
Other-than-temporary impairment, net of tax		-6	-3
Cumulative translation adjustments, net of tax		-3 897	-4 675
Accumulated adjustment for pension and post-retirement benefits, net of tax		-534	-825
Total accumulated other comprehensive income		-2 815	-85
Retained earnings		30 766	34 257
Shareholders' equity		32 952	35 930
Non-controlling interests		25	111
Total equity		32 977	36 041
Total liabilities and equity		213 520	204 461

¹ Please refer to Note 12 "Earnings per share" for details on the number of shares authorised and issued.

The accompanying notes are an integral part of the Group financial statements.

Statement of shareholders' equity

For the years ended 31 December

USD millions	2013	2014
Contingent capital instruments		
Balance as of 1 January	1 102	1 102
Issued		
Balance as of period end	1 102	1 102
Common shares		
Balance as of 1 January	35	35
Issue of common shares		
Balance as of period end	35	35
Additional paid-in capital		
Balance as of 1 January	7 721	4 963
Share-based compensation	14	-34
Realised gains/losses on treasury shares	-12	6
Dividends on common shares ¹	-2 760	-3 129
Balance as of period end	4 963	1 806
Treasury shares, net of tax		
Balance as of 1 January	-995	-1 099
Purchase of treasury shares	-290	-223
Issuance of treasury shares, including share-based compensation to employees	186	137
Balance as of period end	-1 099	-1 185
Net unrealised gains/losses, net of tax		
Balance as of 1 January	4 407	1 622
Changes during the period	-2 785	3 796
Balance as of period end	1 622	5 418
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-28	-6
Changes during the period	22	3
Balance as of period end	-6	-3
Foreign currency translation, net of tax		
Balance as of 1 January	-3 609	-3 897
Changes during the period	-288	-778
Balance as of period end	-3 897	-4 675
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-953	-534
Changes during the period	419	-291
Balance as of period end	-534	-825
Retained earnings		
Balance as of 1 January	26 322	30 766
Net income after attribution of non-controlling interests	4 511	3 569
Interest on contingent capital instruments, net of tax	-67	-69
Purchase of non-controlling interests		-9
Balance as of period end	30 766	34 257
Shareholders' equity	32 952	35 930
Non-controlling interests		
Balance as of 1 January	24	25
Changes during the period	-1	86
Income attributable to non-controlling interests	2	
Balance as of period end	25	111
Total equity	32 977	36 041

¹ Dividends to shareholders were paid in the form of a withholding tax-exempt repayment of legal reserves from capital contributions.

The accompanying notes are an integral part of the Group financial statements.

Statement of cash flow

For the years ended 31 December

USD millions	2013	2014
Cash flows from operating activities		
Net income attributable to common shareholders	4 444	3 500
Add net income attributable to non-controlling interests	2	
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items ¹	403	458
Net realised investment gains/losses	-3 324	-1 059
Income from equity-accounted investees, net of dividends received	-152	-66
Change in:		
Technical provisions and other reinsurance assets and liabilities, net ¹	-935	-1 479
Funds held by ceding companies and under reinsurance treaties ¹	850	433
Reinsurance recoverable on unpaid claims and policy benefits	1 179	1 273
Other assets and liabilities, net ¹	269	-334
Income taxes payable/recoverable	-162	134
Trading positions, net	-263	283
Securities purchased/sold under agreement to resell/repurchase, net	-28	331
Net cash provided/used by operating activities	2 283	3 474
Cash flows from investing activities		
Fixed income securities:		
Sales	80 675	55 297
Maturities	3 498	4 315
Purchases	-79 382	-67 447
Net purchase/sale/maturities of short-term investments	-2 017	5 900
Equity securities:		
Sales	2 603	6 894
Purchases	-5 625	-2 918
Cash paid/received for acquisitions/disposal and reinsurance transactions, net		-257
Net purchases/sales/maturities of other investments	-96	-1 021
Net cash provided/used by investing activities	-344	763
Cash flows from financing activities		
Issuance/repayment of long-term debt	40	1 438
Issuance/repayment of short-term debt	-1 593	-2 584
Purchase/sale of treasury shares	-227	-197
Dividends paid to shareholders	-2 760	-3 129
Net cash provided/used by financing activities	-4 540	-4 472
Total net cash provided/used	-2 601	-235
Effect of foreign currency translation	-164	-366
Change in cash and cash equivalents	-2 765	-601
Cash and cash equivalents as of 1 January	10 837	8 072
Cash and cash equivalents as of 31 December	8 072	7 471

¹ The Group revised the definition of certain items within the operating cash flow with no impact on "Net cash provided/used by operating activities". The amortisation of deferred acquisition costs and present value for future profits is reclassified from "Depreciation, amortisation and other non-cash items" and the changes in certain other reinsurance assets and liabilities are reclassified from "Funds held by ceding companies and under reinsurance treaties" and "Other assets and liabilities, net" to "Technical provisions and other reinsurance assets and liabilities, net". Comparatives are adjusted accordingly.

Interest paid was USD 929 million and USD 885 million for the years ended 31 December 2013 and 2014, respectively.

Tax paid was USD 447 million and USD 509 million for the years ended 31 December 2013 and 2014, respectively.

The accompanying notes are an integral part of the Group financial statements.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, mid- to large-sized corporations and public sector clients.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). The transaction is expected to close in the second quarter of 2015 and, therefore, the subject business was still within the scope of the consolidated Swiss Re Group as of 31 December 2014. For more details on the transaction and its impact on the Swiss Re Group financial statements, please refer to Note 7.

Principles of consolidation

The Group's financial statements include the consolidated financial statements of Swiss Re Ltd and its subsidiaries. Voting entities which Swiss Re Ltd directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Swiss Re Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Swiss Re Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure, including contingent assets and liabilities. The Swiss Re Group's liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ significantly from the estimates described above.

Foreign currency remeasurement and translation

Transactions denominated in foreign currencies are remeasured to the respective subsidiary's functional currency at average exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholders' equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholders' equity.

Valuation of financial assets

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange-traded derivative instruments, most mortgage- and asset-backed securities and listed

equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group's own risk of non-performance is analysed in the manner consistent with the aforementioned approach, with consideration of the Group's observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2014, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value being recognised in shareholders' equity. Trading fixed income and equity securities are carried at fair value with unrealised gains and losses recognised in earnings. A trading classification is used for securities that are bought and held principally for the purpose of selling them in the near term or for securities where the Group has decided to apply the fair value option.

The cost of equity securities AFS is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value, expressed in functional currency terms, is other-than-temporary. Subsequent recoveries of previously recognised impairments are not recognised in earnings.

For debt securities AFS that are other-than-temporary impaired and there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell, the accounting of the other-than-temporary impairment is the same as for equity securities AFS described above.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recognised as investment income on the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. Impairment in value, depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

As of 1 January 2014, the Group measures its short-term investments at fair value with changes in fair value recognised in net income. Previously, the Group carried short-term investments at amortised cost, which approximated fair value. The impact of this change is immaterial and comparatives have therefore not been restated. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

Other invested assets include affiliated companies, equity accounted companies, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, and investments without readily determinable fair value (including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised as unrealised gains/losses in shareholders' equity.

The Group enters into security lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Security lending fees are recognised over the term of the related loans.

Derivative financial instruments and hedge accounting

The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Changes in fair value on derivatives that are not designated as hedging instruments are recorded in income.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host contract and if it meets the definition of a derivative if it were a free-standing contract.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

The Group also designates non-derivative and derivative monetary financial instruments as a hedge of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative and derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits, certain short-term investments in money market funds, and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Deferred acquisition costs

The Group incurs costs in connection with acquiring new and renewal reinsurance and insurance business. Some of these costs, which consist primarily of commissions, are deferred as they are directly related to the successful acquisition of such business.

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts

The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs and present value of future profits (PVFP) will continue to be amortised. The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract. The associated deferred acquisition costs or PVFP are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

Admin Re[®] blocks of business can be acquired in different legal forms, either through an acquisition of an entity's share capital or through a reinsurance transaction. The Group's policy is to treat these transactions consistently regardless of the legal form of the acquisition. Accordingly, the Group records the acquired assets and liabilities directly to the balance sheet. Premiums, life and health benefits and other income statement items are not recorded in the income statement on the date of the acquisition.

The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of the acquisition method of accounting, including present value of future profits, goodwill and other intangible assets.

Acquired present value of future profits

The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and/or health business. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. The earned rate corresponds to either the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, and estimated gross profits are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings during the period in which the determination of impairment is made or in other comprehensive income for shadow loss recognition.

Goodwill

The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets

Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, other classes of property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive property and casualty reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use as well as other classes of property, plant and equipment are carried at depreciated cost. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life. Land is recognised at cost and not depreciated.

Capitalised software costs

External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

Income taxes

Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

The Group recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs.

Unpaid claims and claim adjustment expenses

Liabilities for unpaid claims and claim adjustment expenses for property and casualty and life and health insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgments made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting. The Group does not discount life and health claim reserves except for disability income claims in payment which are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

Experience features which are directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits

Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest rate assumptions for life and health (re)insurance benefit liabilities are based on estimates of expected investment yields. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances

Policyholder account balances relate to universal life-type contracts and investment contracts.

Universal life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, ie there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder

account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business which is presented in a separate line item on the face of the income statement.

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 8.

Funds held assets and liabilities

On the asset side, funds held by ceding companies' consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts are included.

On the liability side, funds held under reinsurance treaties' consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, amounts retained from ceded business written on a funds withheld basis are included.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit type character.

Shadow adjustments

Shadow adjustments are recognized in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods, thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate GAAP reserves rather than using locked in or current book yields. If the unlocked best estimate GAAP reserves based on current market rates are in excess of reserves based on locked in or current book yields, a shadow loss recognition reserve is set up. These reserves are recognised in other comprehensive income and do not impact net income. In addition, shadow loss recognition reserves can reverse up to the amount of losses recognised due to past loss events.

Premiums

Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of reinsurance provided.

Insurance and reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded short- and long-duration contracts, including universal life-type and investment contracts, are reported as assets in the accompanying consolidated balance sheet.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables

Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and financial difficulties of the debtor, and can be as high as the outstanding net balance.

Pensions and other post-retirement benefits

The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions

As of 31 December 2014, the Group has a leadership performance plan, a fixed option plan, a restricted share plan, an employee participation plan, and a global share participation plan. These plans are described in more detail in Note 15. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholders' equity.

Treasury shares

Treasury shares are reported at cost in shareholders' equity. Treasury shares also include stand-alone derivative instruments indexed to the Group's shares that meet the requirements for classification in shareholders' equity.

Earnings per common share

Basic earnings per common share are determined by dividing net income available to shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflect the effect on earnings and average common shares outstanding associated with dilutive securities.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 17 March 2015. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In February 2013, the FASB issued ASU 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date", an update to Topic 405, "Liabilities". ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The Group adopted ASU 2013-04 on 1 January 2014. The adoption did not have an effect on the Group's financial statements.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity", an update to Topic 830, "Foreign Currency Matters". ASU 2013-05 precludes the release of the cumulative translation adjustment into net income for derecognition events that occur within a foreign entity, unless such events represent a complete or substantially complete liquidation of the foreign entity. Derecognition events related to investments in a foreign entity result in the release of the entire cumulative translation adjustment related to the derecognised foreign entity, even when a non-controlling financial interest is retained. The Group adopted ASU 2013-05 on 1 January 2014. The adoption did not have an effect on the Group's financial statements.

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements", an update to Topic 946, "Financial Services – Investment Companies". ASU 2013-08 changes the approach to the investment company assessment in Topic 946, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. The Group adopted ASU 2013-08 on 1 January 2014. The adoption did not have an effect on the Group's financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", an update to Topic 740, "Income Taxes". ASU 2013-11 requires an entity to present an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, subject to some exceptions. The Group adopted ASU 2013-11 on 1 January 2014 on a prospective basis. The financial statement presentation of unrecognized tax benefits was adjusted accordingly.

2 Information on business segments

The Group provides reinsurance and insurance throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Admin Re[®]. The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment is determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. Interest expense is based on the segment's capital funding position. The tax impact of a segment is derived from the legal entity tax obligations and the segmentation of the pre-tax result. While most of the tax items can be directly attributed to individual segments, the tax which impacts two or more segments is allocated to the segments on a reasonable basis. Property & Casualty Reinsurance and Life & Health Reinsurance share the same year-to-date effective tax rate as both business segments belong to the Reinsurance Business Unit.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1).

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance

Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include insurance companies and mutual as well as public sector and governmental entities. In addition to traditional reinsurance solutions, Reinsurance offers insurance-linked securities and other insurance-related capital market products in both Property & Casualty and Life & Health.

Property & Casualty includes the business lines property, casualty (including motor), and specialty. Life & Health includes the life and health lines of business.

In the second quarter of 2014, the Reinsurance Business Unit revised the allocation of certain intra-group cost recharges between Property & Casualty and Life & Health. The comparative periods have been adjusted accordingly. The revision had no impact on net income and shareholders' equity of the Group.

Corporate Solutions

Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 40 offices worldwide.

Admin Re[®]

Through Admin Re[®], Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party. Since 1998, Swiss Re has acquired more than 50 blocks of business spanning a range of product types. It currently operates in the UK, US and the Netherlands.

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). For more details on the transaction and its impact on the Swiss Re Group financial statements, please refer to Note 7.

Group items

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Groups' ultimate parent company, the former Legacy business in run-off, Principal Investments and certain Treasury units. Swiss Re Ltd charges trademark licence fees to the business segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

In the fourth quarter of 2014, the Group revised the allocation of certain project costs from the Reinsurance and Corporate Solutions Business Units to Group items. The comparative periods have not been adjusted as the costs relate primarily to projects launched in 2014. The revision had no impact on net income and shareholders' equity of the Group.

Consolidation

Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. This includes significant intra-group reinsurance arrangements, recharge of trademark licence fees, and intersegmental funding.

a) Business segments – income statement

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	14 542	9 967	2 922	844	1		28 276
Fee income from policyholders		56		486			542
Net investment income – non-participating	1 098	1 442	98	1 180	150	-21	3 947
Net realised investment gains/losses – non-participating	184	269	150	201	-38		766
Net investment result – unit-linked and with-profit		249		3 098			3 347
Other revenues	61		2	1	307	-347	24
Total revenues	15 885	11 983	3 172	5 810	420	-368	36 902
Expenses							
Claims and claim adjustment expenses	-7 884		-1 773		2		-9 655
Life and health benefits		-8 075		-1 506			-9 581
Return credited to policyholders		-286		-3 392			-3 678
Acquisition costs	-2 761	-1 698	-406	-30			-4 895
Other expenses	-1 541	-877	-601	-441	-356	308	-3 508
Interest expenses	-207	-544	-1	-46	-22	60	-760
Total expenses	-12 393	-11 480	-2 781	-5 415	-376	368	-32 077
Income before income tax expense	3 492	503	391	395	44	0	4 825
Income tax expense/benefit	-244	-35	-111	28	50		-312
Net income before attribution of non-controlling interests	3 248	468	280	423	94	0	4 513
Income attributable to non-controlling interests	-1		-1				-2
Net income after attribution of non-controlling interests	3 247	468	279	423	94	0	4 511
Interest on contingent capital instruments	-19	-48					-67
Net income attributable to common shareholders	3 228	420	279	423	94	0	4 444
Claims ratio in %	54.2		60.6				55.3
Expense ratio in %	29.6		34.5				30.4
Combined ratio in %	83.8		95.1				85.7
Management expense ratio in %		7.6					
Operating margin in %		5.8					

Business segments – income statement

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	15 598	11 212	3 444	502			30 756
Fee income from policyholders		53		453			506
Net investment income – non-participating	1 076	1 544	94	1 256	115	18	4 103
Net realised investment gains/losses – non-participating	699	–255	168	–114	69		567
Net investment result – unit-linked and with-profit		75		1 306			1 381
Other revenues	69		3	1	340	–379	34
Total revenues	17 442	12 629	3 709	3 404	524	–361	37 347
Expenses							
Claims and claim adjustment expenses	–8 493		–2 054		–32	2	–10 577
Life and health benefits		–9 194		–1 415		–2	–10 611
Return credited to policyholders		–99		–1 442			–1 541
Acquisition costs	–3 382	–2 489	–463	–181			–6 515
Other expenses	–1 175	–885	–687	–359	–384	335	–3 155
Interest expenses	–255	–438	–8	–25	–21	26	–721
Total expenses	–13 305	–13 105	–3 212	–3 422	–437	361	–33 120
Income/loss before income tax expense	4 137	–476	497	–18	87	0	4 227
Income tax expense/benefit	–552	63	–179	52	–42		–658
Net income/loss before attribution of non-controlling interests	3 585	–413	318	34	45	0	3 569
Income attributable to non-controlling interests	–1		1				0
Net income/loss after attribution of non-controlling interests	3 584	–413	319	34	45	0	3 569
Interest on contingent capital instruments	–20	–49					–69
Net income/loss attributable to common shareholders	3 564	–462	319	34	45	0	3 500
Claims ratio in %	54.5		59.6				55.4
Expense ratio in %	29.2		33.4				30.0
Combined ratio in %	83.7		93.0				85.4
Management expense ratio in %		6.9					
Operating margin in %		2.6					

Business segments – balance sheet

As of 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	24 986	29 588	4 644	20 014	64		79 296
Equity securities	4 017	1 333	981		1 360		7 691
Other investments	10 080	3 179	169	1 800	5 561	-5 905	14 884
Short-term investments	13 297	4 113	1 595	1 474	510		20 989
Investments for unit-linked and with-profit business		988		26 227			27 215
Cash and cash equivalents	5 288	166	562	1 748	308		8 072
Deferred acquisition costs	1 591	2 845	319	1			4 756
Acquired present value of future profits		1 451		2 086			3 537
Reinsurance recoverable	4 752	1 756	8 228	323		-6 732	8 327
Other reinsurance assets	11 457	9 286	2 422	3 475	3	-1 967	24 676
Goodwill	2 057	2 035	17				4 109
Other	8 869	3 759	988	919	207	-4 774	9 968
Total assets	86 394	60 499	19 925	58 067	8 013	-19 378	213 520
Liabilities							
Unpaid claims and claim adjustment expenses	45 578	9 869	11 549	1 205	15	-6 732	61 484
Liabilities for life and health policy benefits		17 392	232	18 415		-6	36 033
Policyholder account balances		1 595		29 582			31 177
Other reinsurance liabilities	11 591	2 116	4 355	620	6	-2 433	16 255
Short-term debt	798	3 730		646	1 285	-2 641	3 818
Long-term debt	4 700	10 627				-605	14 722
Other	10 518	8 876	1 010	1 795	1 775	-6 920	17 054
Total liabilities	73 185	54 205	17 146	52 263	3 081	-19 337	180 543
Shareholders' equity	13 192	6 294	2 771	5 804	4 932	-41	32 952
Non-controlling interests	17		8				25
Total equity	13 209	6 294	2 779	5 804	4 932	-41	32 977
Total liabilities and equity	86 394	60 499	19 925	58 067	8 013	-19 378	213 520

Business segments – balance sheet

As of 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	31 853	29 073	5 148	20 566	29		86 669
Equity securities	1 497	965	732		895		4 089
Other investments	9 185	1 814	47	1 769	7 037	-6 075	13 777
Short-term investments	6 397	3 725	2 348	1 400	257		14 127
Investments for unit-linked and with-profit business		894		24 431			25 325
Cash and cash equivalents	5 069	574	737	1 029	62		7 471
Deferred acquisition costs	1 756	2 723	360	1			4 840
Acquired present value of future profits		1 294		2 003			3 297
Reinsurance recoverable	3 648	1 689	7 674	281		-6 342	6 950
Other reinsurance assets	10 500	8 424	2 662	3 595	1	-1 695	23 487
Goodwill	1 950	1 966	109				4 025
Other	8 890	3 980	958	1 065	516	-5 005	10 404
Total assets	80 745	57 121	20 775	56 140	8 797	-19 117	204 461
Liabilities							
Unpaid claims and claim adjustment expenses	41 233	10 177	11 720	1 132	38	-6 346	57 954
Liabilities for life and health policy benefits		16 442	241	16 922			33 605
Policyholder account balances		1 473		27 769			29 242
Other reinsurance liabilities	10 893	1 968	4 733	526	9	-2 053	16 076
Short-term debt	503	4 530			544	-3 876	1 701
Long-term debt	4 494	6 779	496	855		-9	12 615
Other	9 389	8 836	1 162	2 548	2 121	-6 829	17 227
Total liabilities	66 512	50 205	18 352	49 752	2 712	-19 113	168 420
Shareholders' equity	14 211	6 916	2 334	6 388	6 085	-4	35 930
Non-controlling interests	22		89				111
Total equity	14 233	6 916	2 423	6 388	6 085	-4	36 041
Total liabilities and equity	80 745	57 121	20 775	56 140	8 797	-19 117	204 461

b) Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2013 USD millions	Property	Casualty	Specialty	Total
Premiums earned	6 945	5 366	2 231	14 542
Expenses				
Claims and claim adjustment expenses	-3 342	-3 563	-979	-7 884
Acquisition costs	-883	-1 408	-470	-2 761
Other expenses	-796	-520	-225	-1 541
Total expenses before interest expenses	-5 021	-5 491	-1 674	-12 186
Underwriting result	1 924	-125	557	2 356
Net investment income				1 098
Net realised investment gains/losses				184
Other revenues				61
Interest expenses				-207
Income before income tax expenses				3 492
Claims ratio in %	48.1	66.4	43.9	54.2
Expense ratio in %	24.2	35.9	31.1	29.6
Combined ratio in %	72.3	102.3	75.0	83.8

Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2014 USD millions	Property	Casualty	Specialty	Total
Premiums earned	6 783	6 437	2 378	15 598
Expenses				
Claims and claim adjustment expenses	-3 013	-4 513	-967	-8 493
Acquisition costs	-1 049	-1 831	-502	-3 382
Other expenses	-669	-355	-151	-1 175
Total expenses before interest expenses	-4 731	-6 699	-1 620	-13 050
Underwriting result	2 052	-262	758	2 548
Net investment income				1 076
Net realised investment gains/losses				699
Other revenues				69
Interest expenses				-255
Income before income tax expenses				4 137
Claims ratio in %	44.4	70.1	40.6	54.5
Expense ratio in %	25.3	34.0	27.5	29.2
Combined ratio in %	69.7	104.1	68.1	83.7

c) Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2013 USD millions	Life	Health	Total
Revenues			
Premiums earned	6 678	3 289	9 967
Fee income from policyholders	56		56
Net investment income – non-participating	915	527	1 442
Net investment income – unit-linked and with-profit	39		39
Net realised investment gains/losses – unit-linked and with-profit	210		210
Net realised investment gains/losses – insurance-related derivatives	-123	6	-117
Total revenues before non-participating realised gains/losses	7 775	3 822	11 597
Expenses			
Life and health benefits	-5 216	-2 859	-8 075
Return credited to policyholders	-286		-286
Acquisition costs	-1 207	-491	-1 698
Other expenses	-636	-241	-877
Total expenses before interest expenses	-7 345	-3 591	-10 936
Operating income	430	231	661
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			386
Interest expenses			-544
Income before income tax expenses			503
Management expense ratio in %	8.3	6.3	7.6
Operating margin ¹ in %	5.7	6.0	5.8

¹ Operating margin is calculated as operating result divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2014			
USD millions	Life	Health	Total
Revenues			
Premiums earned	7 166	4 046	11 212
Fee income from policyholders	53		53
Net investment income – non-participating	944	600	1 544
Net investment income – unit-linked and with-profit	37		37
Net realised investment gains/losses – unit-linked and with-profit	38		38
Net realised investment gains/losses – insurance-related derivatives	121	-7	114
Total revenues before non-participating realised gains/losses	8 359	4 639	12 998
Expenses			
Life and health benefits	-5 890	-3 304	-9 194
Return credited to policyholders	-99		-99
Acquisition costs	-1 808	-681	-2 489
Other expenses	-628	-257	-885
Total expenses before interest expenses	-8 425	-4 242	-12 667
Operating income	-66	397	331
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			-369
Interest expenses			-438
Income before income tax expenses			-476
Management expense ratio in %	7.7	5.5	6.9
Operating margin ¹ in %	-0.8	8.6	2.6

¹ Operating margin is calculated as operating result divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

d) Net premiums earned and fee income from policyholders by geography

Net premiums earned and fee income from policyholders by regions for the years ended 31 December

USD millions	2013	2014
Americas	11 468	12 199
Europe (including Middle East and Africa)	11 347	11 316
Asia-Pacific	6 003	7 747
Total	28 818	31 262

Net premiums earned and fee income from policyholders by country for the years ended 31 December

USD millions	2013	2014
United States	9 084	9 422
United Kingdom	3 466	3 620
China	2 045	3 059
Australia	2 056	2 132
Germany	1 296	1 429
Canada	1 379	1 383
Japan	764	1 034
France	1 624	948
Ireland	832	903
Switzerland	446	743
Italy	547	528
Other	5 279	6 061
Total	28 818	31 262

Net premiums earned and fee income from policyholders are allocated by country based on the underlying contract.

This page intentionally left blank

3 Insurance information

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		624	2 564	946		4 134
Reinsurance	16 594	10 481	473	191	1	27 740
Intra-group transactions (assumed and ceded)	-228	254	228	-254		0
Premiums earned before retrocession to external parties						
	16 366	11 359	3 265	883	1	31 874
Retrocession to external parties	-1 824	-1 392	-343	-39		-3 598
Net premiums earned	14 542	9 967	2 922	844	1	28 276

Fee income from policyholders, thereof:

Direct				401		401
Reinsurance		56		85		141
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties						
		56		486		542
Retrocession to external parties						0
Net fee income	0	56	0	486	0	542

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		758	2 745	651		4 154
Reinsurance	16 233	11 431	705	165		28 534
Intra-group transactions (assumed and ceded)	-157	272	157	-272		0
Premiums earned before retrocession to external parties	16 076	12 461	3 607	544		32 688
Retrocession to external parties	-478	-1 249	-163	-42		-1 932
Net premiums earned	15 598	11 212	3 444	502	0	30 756
Fee income from policyholders, thereof:						
Direct				363		363
Reinsurance		54		90		144
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		54		453		507
Retrocession to external parties		-1				-1
Net fee income	0	53	0	453	0	506

Claims and claim adjustment expenses

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-10 421	-8 564	-3 086	-2 269	-2	-24 342
Intra-group transactions (assumed and ceded)	-1 417	-334	1 422	331	-2	0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	1 713	1 230	425	65		3 433
Net claims paid	-10 125	-7 668	-1 239	-1 873	-4	-20 909

**Change in unpaid claims and claim adjustment
expenses; life and health benefits, thereof:**

Gross – with external parties	1 581	-482	1 189	511	6	2 805
Intra-group transactions (assumed and ceded)	1 695	121	-1 698	-118		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	-1 035	-46	-25	-26	6	-1 132
Net unpaid claims and claim adjustment expenses; life and health benefits	2 241	-407	-534	367	6	1 673
Claims and claim adjustment expenses; life and health benefits	-7 884	-8 075	-1 773	-1 506	2	-19 236

Acquisition costs

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-3 429	-2 005	-432	-34		-5 900
Intra-group transactions (assumed and ceded)	49	-2	-49	2		0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	619	309	75	2		1 005
Net acquisition costs	-2 761	-1 698	-406	-30	0	-4 895

Claims and claim adjustment expenses

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-10 176	-9 120	-2 068	-2 153	-9	-23 526
Intra-group transactions (assumed and ceded)	-427	-238	428	238	-1	0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	1 022	1 162	345	68	-10	2 597
Net claims paid	-9 581	-8 196	-1 295	-1 847	-10	-20 929
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 662	-967	-136	459	-22	996
Intra-group transactions (assumed and ceded)	395	8	-395	-8		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	-969	-39	-228	-19	-22	-1 255
Net unpaid claims and claim adjustment expenses; life and health benefits	1 088	-998	-759	432	-22	-259
Claims and claim adjustment expenses; life and health benefits	-8 493	-9 194	-2 054	-1 415	-32	-21 188

Acquisition costs

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-3 514	-2 681	-462	-184		-6 841
Intra-group transactions (assumed and ceded)	25	-1	-25	1		0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	107	193	24	2		326
Net acquisition costs	-3 382	-2 489	-463	-181	0	-6 515

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2013 and 2014, the Group had a reinsurance recoverable of USD 8 327 million and USD 6 950 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 62% of the Group's reinsurance recoverable as of year-end 2013 and 60% as of year-end 2014.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2013	2014
Premium receivables invoiced	1 482	1 355
Receivables invoiced from ceded re/insurance business	446	341
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	1 273	779
Recognised allowance	-101	-86

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2013 and 2014 was 7% and 8%, respectively. The amount of policyholder dividend expense in 2013 and 2014 was USD 139 million and USD 113 million, respectively.

4 Premiums written

For the years ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		643	2 870	973			4 486
Reinsurance	17 243	10 458	557	190			28 448
Intra-group transactions (assumed)	328	254	549			-1 131	0
Gross premiums written	17 571	11 355	3 976	1 163		-1 131	32 934
Intra-group transactions (ceded)	-549		-328	-254		1 131	0
Gross premiums written before retrocession to external parties							
	17 022	11 355	3 648	909			32 934
Retrocession to external parties	-865	-1 383	-169	-39			-2 456
Net premiums written	16 157	9 972	3 479	870	0	0	30 478

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		768	2 996	662			4 426
Reinsurance	16 308	11 393	984	165			28 850
Intra-group transactions (assumed)	342	273	303			-918	0
Gross premiums written	16 650	12 434	4 283	827		-918	33 276
Intra-group transactions (ceded)	-303		-342	-273		918	0
Gross premiums written before retrocession to external parties							
	16 347	12 434	3 941	554			33 276
Retrocession to external parties	-206	-1 243	-145	-42			-1 636
Net premiums written	16 141	11 191	3 796	512	0	0	31 640

5 Unpaid claims and claim adjustment expenses

The liability for unpaid claims and claim adjustment expenses as of 31 December is analysed as follows:

USD millions	2013	2014
Non-Life	50 392	46 633
Life & Health	11 092	11 321
Total	61 484	57 954

A reconciliation of the opening and closing reserve balances for non-life unpaid claims and claim adjustment expenses for the period is presented as follows:

USD millions	2013	2014
Balance as of 1 January	53 010	50 392
Reinsurance recoverable	-7 101	-6 029
Deferred expense on retroactive reinsurance	-229	-56
Net balance as of 1 January	45 680	44 307
Incurred related to:		
Current year	10 765	11 298
Prior year	-1 371	-838
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	151	17
Total incurred	9 545	10 477
Paid related to:		
Current year	-2 103	-2 193
Prior year	-9 265	-8 693
Total paid	-11 368	-10 886
Foreign exchange	211	-2 224
Effect of acquisitions, disposals, new retroactive reinsurance and other items	239	199
Net balance as of 31 December	44 307	41 873
Reinsurance recoverable	6 029	4 746
Deferred expense on retroactive reinsurance	56	14
Balance as of 31 December	50 392	46 633

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the purchase method of accounting.

Prior-year development

In 2014, claims development on prior years was driven by favourable experience in all lines of business. For property, releases on recent years more than offset increases for the earthquakes in New Zealand. Within casualty, favourable experience in liability across all regions more than offset increases for asbestos and environmental losses and increases elsewhere in the portfolio. Unfavourable experience in motor in France and UK were offset by good claims experience in other countries. In addition, releases in accident and health due to positive experience combined with some favourable commutations contributed to the overall improvement on casualty. Favourable development in engineering contributed to the overall reserve releases on specialty lines due to a reassessment of reserves relating to Spain and France combined with very good claims experience.

A summary of prior-year claims development by lines of business is shown below:

USD millions	2013	2014
Line of business:		
Property	-441	-277
Casualty	-455	-62
Specialty	-475	-499
Total	-1 371	-838

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986, in particular in the area of US asbestos and environmental liability.

At the end of 2014, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 2 063 million. During 2014, the Group incurred net losses of USD 291 million and paid net against these liabilities USD 177 million.

Estimating ultimate asbestos and environmental liabilities is particularly complex for a number of reasons relating in part to the long period between exposure and manifestation of claims, and in part to other factors, which include risks and lack of predictability inherent in complex litigation, changes in projected costs to resolve, and in the projected number of, asbestos and environmental claims, the effect of bankruptcy protection, insolvencies, and changes in the legal, legislative and regulatory environment. As a result, the Group believes that projection of exposures for asbestos and environmental claims is subject to far less predictability relative to non-environmental and non-asbestos exposures. Management believes that its reserves for asbestos and environmental claims are appropriately established based upon known facts and the current state of the law. However, reserves are subject to revision as new information becomes available and as claims develop. Additional liabilities may arise for amounts in excess of reserves, and the Group's estimate of claims and claim adjustment expenses may change. Any such additional liabilities or increases in estimates cannot be reasonably estimated in advance but could result in charges that could be material to operating results.

The Group maintains an active commutation strategy to reduce exposure. When commutation payments are made, the traditional "survival ratio" is artificially reduced by premature payments which should not imply a reduction in reserve adequacy.

6 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December, the DAC were as follows:

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2013	1 103	2 713	219	2	2	4 039
Deferred	3 217	491	504			4 212
Effect of acquisitions/disposals and retrocessions		57				57
Amortisation	-2 710	-397	-406			-3 513
Effect of foreign currency translation	-19	-19	2	-1	-2	-39
Closing balance as of 31 December 2013	1 591	2 845	319	1	0	4 756

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2014	1 591	2 845	319	1		4 756
Deferred	3 563	490	507			4 560
Effect of acquisitions/disposals and retrocessions		-28				-28
Amortisation	-3 332	-448	-463			-4 243
Effect of foreign currency translation	-66	-136	-3			-205
Closing balance as of 31 December 2014	1 756	2 723	360	1	0	4 840

Retroceded DAC may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

As of 31 December, the PVFP was as follows:

USD millions	2013			2014		Total
	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	
Opening balance as of 1 January	1 358	1 665	3 023	1 451	2 086	3 537
Effect of acquisitions/disposals and retrocessions	206	-30	176		165	165
Amortisation	-151	-184	-335	-156	-261	-417
Interest accrued on unamortised PVFP	35	186	221	44	103	147
Effect of foreign currency translation	3	44	47	-45	-90	-135
Effect of change in unrealised gains/losses		405	405			0
Closing balance as of 31 December	1 451	2 086	3 537	1 294	2 003	3 297

Retroceded PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

The percentage of PVFP which is expected to be amortised in each of the next five years is 7%, 7%, 7%, 7% and 6%.

7 Assets held for sale

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA).

The preliminary purchase price includes a cash payment of USD 183 million, subject to finalisation at closing. An expected pre-tax loss of USD 247 million (including the impact of net unrealised gains and shadow loss reserve that will be reclassified from equity into the income statement) on the disposition of the net assets was recognised in the fourth quarter of 2014. The sale will only be effective upon the receipt of all required regulatory approvals, which is expected in the second quarter of 2015. The definitive purchase price will be adjusted at closing of the transaction based upon the difference in yields of the transferred investments and a representative basket of investments.

Aurora primarily consists of bonds and policyholder liabilities. The expected loss on the disposition of the net assets has been reflected in "Net realised investment gains/losses – non-participating" in the 2014 income statement of the Admin Re[®] segment. This loss will be adjusted principally, for the definitive purchase price to be determined as of the closing of the transaction.

The major classes of assets and liabilities held for sale as of 31 December 2014 are listed below.

USD millions	2014
Assets	
Fixed income securities available-for-sale	3 456
Policy loans, mortgages and other loans	157
Short-term investments	6
Cash and cash equivalents	23
Accrued investment income	37
Premiums and other receivables	6
Reinsurance recoverable on unpaid claims and policy benefits	7
Other assets held for sale	1
Total assets	3 693
Liabilities	
Unpaid claims and claim adjustment expenses	15
Liabilities for life and health policy benefits	1 494
Policyholder account balances	1 151
Accrued expenses and other liabilities held for sale	292
Total liabilities	2 952

8 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2013	2014
Fixed income securities	2 626	2 798
Equity securities	143	100
Policy loans, mortgages and other loans	119	133
Investment real estate	139	144
Short-term investments	109	111
Other current investments	93	127
Share in earnings of equity-accounted investees	350	321
Cash and cash equivalents	48	42
Net result from deposit-accounted contracts	154	149
Deposits with ceding companies	595	571
Gross investment income	4 376	4 496
Investment expenses	-406	-358
Interest charged for funds held	-23	-35
Net investment income – non-participating	3 947	4 103

Dividends received from investments accounted for using the equity method were USD 198 million and USD 277 million for 2013 and 2014, respectively.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) were as follows:

USD millions	2013	2014
Fixed income securities available-for-sale:		
Gross realised gains	1 215	814
Gross realised losses	-689	-231
Equity securities available-for-sale:		
Gross realised gains	349	686
Gross realised losses	-46	-84
Other-than-temporary impairments	-41	-40
Net realised investment gains/losses on trading securities	-4	46
Change in net unrealised investment gains/losses on trading securities	-38	120
Other investments:		
Net realised/unrealised gains/losses	301	-340
Net realised/unrealised gains/losses on insurance-related activities	-306	-331
Loss related to sale of Aurora National Life Assurance Company ¹		-247
Foreign exchange gains/losses	25	174
Net realised investment gains/losses – non-participating	766	567

¹ Please refer to Note 7 "Assets held for sale" for more information.

Investment result – unit-linked and with-profit business

For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by the Group (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders was as follows:

USD millions	2013		2014	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	117	97	109	92
Investment income – equity securities	511	26	621	32
Investment income – other	25	13	22	13
Total investment income – unit-linked and with-profit business	653	136	752	137
Realised gains/losses – fixed income securities	-133	-105	132	168
Realised gains/losses – equity securities	2 711	136	206	-1
Realised gains/losses – other	1	-52	5	-18
Total realised gains/losses – unit-linked and with-profit business	2 579	-21	343	149
Total net investment result – unit-linked and with-profit business	3 232	115	1 095	286

Impairment on fixed income securities related to credit losses

Other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The credit component of other-than-temporary impairments is defined as the difference between a security's amortised cost basis and the present value of expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers. Management believes that these forecasts are representative of median market expectations.

For securitised products, cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecasted economic environment is used for securities identified as credit-impaired to project probability-weighted cash flows. Expected cash flows resulting from these analyses are discounted, and the present value is compared to the amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings was as follows:

USD millions	2013	2014
Balance as of 1 January	310	228
Credit losses for which an other-than-temporary impairment was not previously recognised	1	9
Reductions for securities sold during the period	-57	-78
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	11	
Impact of increase in cash flows expected to be collected	-37	-23
Impact of foreign exchange movements		1
Balance as of 31 December	228	137

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December were as follows:

2013 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	6 027	143	-113		6 057
US Agency securitised products	3 970	36	-75		3 931
States of the United States and political subdivisions of the states	953	10	-48		915
United Kingdom	11 255	344	-351		11 248
Canada	3 063	315	-67		3 311
Germany	4 386	96	-37		4 445
France	2 727	113	-12		2 828
Other	7 185	181	-274		7 092
Total	39 566	1 238	-977		39 827
Corporate debt securities	30 464	1 477	-528	-4	31 409
Mortgage- and asset-backed securities	6 319	284	-74	-4	6 525
Fixed income securities available-for-sale	76 349	2 999	-1 579	-8	77 761
Equity securities available-for-sale	6 110	1 047	-81		7 076

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	11 639	960	-9		12 590
US Agency securitised products	3 212	47	-23		3 236
States of the United States and political subdivisions of the states	1 047	80	-2		1 125
United Kingdom	8 224	1 259	-2		9 481
Canada	2 944	626	-17		3 553
Germany	4 521	369	-30		4 860
France	2 889	355	-19		3 225
Other	7 902	405	-103		8 204
Total	42 378	4 101	-205		46 274
Corporate debt securities	29 750	2 622	-139	-2	32 231
Mortgage- and asset-backed securities	5 739	231	-23	-2	5 945
Fixed income securities available-for-sale	77 867	6 954	-367	-4	84 450
Equity securities available-for-sale	3 133	959	-68		4 024

The "Other-than-temporary impairments recognised in other comprehensive income" column includes only securities with a credit-related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income is also presented in the "Other-than-temporary impairments recognised in other comprehensive income" column.

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December were as follows:

USD millions	2013	2014
Debt securities issued by governments and government agencies	1 202	1 997
Corporate debt securities	145	60
Mortgage- and asset-backed securities	188	162
Fixed income securities trading – non-participating	1 535	2 219
Equity securities trading – non-participating	615	65

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked and with-profit business as of 31 December were as follows:

USD millions	2013		2014	
	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 541	2 044	1 870	1 810
Equity securities trading	20 252	928	19 054	991
Investment real estate	517	386	736	429
Other invested assets	547		435	
Total investments for unit-linked and with-profit business	23 857	3 358	22 095	3 230

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2013 and 2014, USD 11 476 million and USD 11 579 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2013		2014	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 308	3 305	4 749	4 757
Due after one year through five years	19 308	19 697	17 920	18 459
Due after five years through ten years	14 243	14 522	17 300	18 329
Due after ten years	33 370	33 911	32 334	37 137
Mortgage- and asset-backed securities with no fixed maturity	6 120	6 326	5 564	5 768
Total fixed income securities available-for-sale	76 349	77 761	77 867	84 450

Assets pledged

As of 31 December 2014, investments with a carrying value of USD 8 114 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 10 191 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2013 and 2014, securities of USD 16 215 million and USD 16 915 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 991 million and USD 1 951 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 December 2014, a real estate portfolio with a carrying value of USD 230 million serves as collateral for short-term senior operational debt of USD 503 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2013 and 2014, the fair value of the equity securities, the government and corporate debt securities received as collateral was USD 4 367 million and USD 3 907 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2013 and 2014 was USD 1 472 million and USD 494 million, respectively. The sources of the collateral are reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December was as follows:

2013 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4 099	-2 877	1 222	-380	842
Reverse repurchase agreements	4 064	-1 811	2 253	-2 253	0
Securities borrowing			0		0
Total	8 163	-4 688	3 475	-2 633	842

2013 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	-4 104	2 656	-1 448	157	-1 291
Repurchase agreements	-2 009	1 811	-198	198	0
Securities lending	-1 792		-1 792	1 655	-137
Total	-7 905	4 467	-3 438	2 010	-1 428

2014 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4 371	-3 530	841	-188	653
Reverse repurchase agreements	3 254	-1 303	1 951	-1 951	0
Securities borrowing	87		87	-87	0
Total	7 712	-4 833	2 879	-2 226	653

2014 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	-3 877	2 969	-908	149	-759
Repurchase agreements	-1 353	1 003	-350	350	0
Securities lending	-1 901	300	-1 601	1 475	-126
Total	-7 131	4 272	-2 859	1 974	-885

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if offset on balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in "Other Invested Assets", and "Accrued Expenses and Other Liabilities", respectively.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2013 and 2014. As of 31 December 2013 and 2014, USD 77 million and USD 52 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 4 million and USD 16 million, respectively, to declines in value for more than 12 months.

2013 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 874	113			2 874	113
US Agency securitised products	2 248	71	41	4	2 289	75
States of the United States and political subdivisions of the states	703	48			703	48
United Kingdom	6 973	351			6 973	351
Canada	938	65	11	2	949	67
Germany	1 697	33	199	4	1 896	37
France	506	10	47	2	553	12
Other	3 392	198	646	76	4 038	274
Total	19 331	889	944	88	20 275	977
Corporate debt securities	12 189	494	319	38	12 508	532
Mortgage- and asset-backed securities	1 834	47	565	31	2 399	78
Total	33 354	1 430	1 828	157	35 182	1 587

2014 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1 637	5	265	4	1 902	9
US Agency securitised products	1 069	12	483	11	1 552	23
States of the United States and political subdivisions of the states	117	1	32	1	149	2
United Kingdom	129	2	33		162	2
Canada	358	6	88	11	446	17
Germany	836	27	67	3	903	30
France	317	18	15	1	332	19
Other	1 360	75	802	28	2 162	103
Total	5 823	146	1 785	59	7 608	205
Corporate debt securities	3 884	95	917	46	4 801	141
Mortgage- and asset-backed securities	1 506	12	329	13	1 835	25
Total	11 213	253	3 031	118	14 244	371

Mortgages, loans and real estate

As of 31 December, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2013	2014
Policy loans	270	252
Mortgage loans	1 801	1 888
Other loans	824	1 065
Investment real estate	825	888

The fair value of the real estate as of 31 December 2013 and 2014 was USD 2 551 million and USD 2 482 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 25 million and USD 26 million for 2013 and 2014, respectively. Accumulated depreciation on investment real estate totalled USD 577 million and USD 539 million as of 31 December 2013 and 2014, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

9 Fair value disclosures

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on unadjusted quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy, because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (OTC) derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For 2014, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the appropriate level based on the lowest level input that is significant to the determination of the fair value.

Valuation techniques

US government securities typically have quoted market prices in active markets and are categorised as level 1 instruments in the fair value hierarchy. Non-US government holdings are generally classified as level 2 instruments and are valued on the basis of the quotes provided by pricing services, which are subject to the Group's pricing validation reviews and pricing vendor challenge process. Valuations provided by pricing vendors are generally based on the actual trade information as substantially all of the Group's non-US government holdings are traded in a transparent and liquid market.

Corporate debt securities mainly include US and European investment-grade positions, which are priced on the basis of quotes provided by third-party pricing vendors and first utilise valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves, and same or comparable issuer curves and spreads. Issuer spreads are determined from actual quotes and traded prices and incorporate considerations of credit/default, sector composition, and liquidity and call features. Where market data is not available, valuations are developed based on the modelling techniques that utilise observable inputs and option-adjusted spreads and incorporate considerations of the security's seniority, maturity and the issuer's corporate structure.

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. The two primary categories of mortgage- and asset-backed securities are residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). For both RMBS and CMBS, cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgments may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property. Mortgage- and asset-backed securities also includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in levels 1 and 2. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available. Level 2 equities include equity investments fair valued pursuant to the fair value option election and certain hedge fund positions; all valued based on primarily observable inputs.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all these investments are classified as level 3 due to the lack of observable prices and significant judgment required in valuation. Valuation of direct private equity investments requires significant management judgment due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in the private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions).

The Group holds both exchange-traded and (OTC) interest rate, foreign exchange, credit and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on the internal models, which are consistent with industry standards and practices, and use both observable (dealer, broker or market consensus prices, spot and forward rates, interest rate and credit curves and volatility indices) and unobservable inputs (adjustments for liquidity, inputs derived from the observable data based on the Group's judgments and assumptions).

The Group's OTC interest rate derivatives primarily include interest rate swaps, futures, options, caps and floors, and are valued based on the cash flow discounting models which generally utilise as inputs observable market yield curves and volatility assumptions.

The Group's OTC foreign exchange derivatives primarily include forward, spot and option contracts and are generally valued based on the cash flow discounting models, utilising as main inputs observable foreign exchange forward curves.

The Group's investments in equity derivatives primarily include OTC equity option contracts on single or baskets of market indices and equity options on individual or baskets of equity securities, which are valued using internally developed models (such as the Black-Scholes type option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves, and correlations between underlying assets.

The Group's OTC credit derivatives can include index and single-name credit default swaps, as well as more complex structured credit derivatives. Plain vanilla credit derivatives, such as index and single-name credit default swaps, are valued by the Group based on the models consistent with the industry valuation standards for these credit contracts, and primarily utilising observable inputs published by market data sources, such as credit spreads and recovery rates. These valuation techniques warrant classification of plain vanilla OTC derivatives as level 2 financial instruments in the fair value hierarchy.

Governance around level 3 fair valuation

The Senior Risk Committee, chaired by the Group Chief Risk Officer, has a primary responsibility for governing and overseeing all of the Group's asset and derivative valuation policies and operating parameters (including level 3 measurements). The Senior Risk Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee.

The Pricing and Valuation Committee, which is a joint Risk Management & Finance management control committee, is responsible for the implementation and consistent application of the pricing and valuation policies. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

A formal IPV process is undertaken monthly by members of the Valuation Risk Management team within a Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

The Risk Management function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values through the vendor- and model-based valuations, the results of which are also subject to the IPV process.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2013 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	5 454	73 180	662		79 296
Debt securities issued by US government and government agencies	5 454	1 537			6 991
US Agency securitised products		3 946			3 946
Debt securities issued by non-US governments and government agencies		30 092			30 092
Corporate debt securities		30 904	650		31 554
Mortgage- and asset-backed securities		6 701	12		6 713
Fixed income securities backing unit-linked and with-profit business		4 585			4 585
Equity securities	28 257	565	49		28 871
Equity securities backing unit-linked and with-profit business	21 169	11			21 180
Equity securities held for proprietary investment purposes	7 088	554	49		7 691
Derivative financial instruments	31	3 563	505	-2 877	1 222
Interest rate contracts	8	2 372			2 380
Foreign exchange contracts		267			267
Derivative equity contracts	23	842	401		1 266
Credit contracts		18	28		46
Other contracts		64	76		140
Other invested assets	1 476	210	2 256		3 942
Total assets at fair value	35 218	82 103	3 472	-2 877	117 916
Liabilities					
Derivative financial instruments	-14	-3 097	-993	2 656	-1 448
Interest rate contracts		-2 123			-2 123
Foreign exchange contracts		-428			-428
Derivative equity contracts	-14	-527	-190		-731
Credit contracts		-11	-38		-49
Other contracts		-8	-765		-773
Liabilities for life and health policy benefits			-145		-145
Accrued expenses and other liabilities	-1 634	-1 271			-2 905
Total liabilities at fair value	-1 648	-4 368	-1 138	2 656	-4 498

¹The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 530	73 738	401		86 669
Debt securities issued by US government and government agencies	12 530	1 797			14 327
US Agency securitised products		3 252			3 252
Debt securities issued by non-US governments and government agencies		30 692			30 692
Corporate debt securities		31 903	388		32 291
Mortgage- and asset-backed securities		6 094	13		6 107
Fixed income securities backing unit-linked and with-profit business		3 680			3 680
Equity securities	24 084	11	39		24 134
Equity securities backing unit-linked and with-profit business	20 034	11			20 045
Equity securities held for proprietary investment purposes	4 050		39		4 089
Short-term investments held for proprietary investment purposes ²	6 407	7 720			14 127
Short-term investments backing unit-linked and with-profit business ²		20			20
Derivative financial instruments	40	3 810	521	-3 530	841
Interest rate contracts		2 621			2 621
Foreign exchange contracts		272			272
Derivative equity contracts	40	892	396		1 328
Credit contracts		1			1
Other contracts		24	125		149
Other invested assets	907	562	1 812		3 281
Total assets at fair value	43 968	89 541	2 773	-3 530	132 752
Liabilities					
Derivative financial instruments	-13	-3 107	-757	2 969	-908
Interest rate contracts	-5	-2 113			-2 118
Foreign exchange contracts		-407			-407
Derivative equity contracts	-8	-564	-130		-702
Credit contracts		-1	-11		-12
Other contracts		-22	-616		-638
Liabilities for life and health policy benefits			-187		-187
Accrued expenses and other liabilities	-1 035	-864			-1 899
Total liabilities at fair value	-1 048	-3 971	-944	2 969	-2 994

¹ The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

² In the first quarter 2014, the Group changed the valuation of short-term investments from amortised cost to fair value. There is no material impact to net income, total assets or shareholders' equity.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2013 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	698	74	1 010	2 098	3 880	-2 865	-272	-3 137
Realised/unrealised gains/losses:								
Included in net income	-4	4	-330	108	-222	1 724	131	1 855
Included in other comprehensive income		1		12	13			0
Purchases	53		25	346	424			0
Issuances			100		100	-62		-62
Sales	-39	-30	-233	-462	-764	210		210
Settlements	-46		-67		-113			0
Transfers into level 3 ¹				419	419			0
Transfers out of level 3 ¹				-292	-292			0
Impact of foreign exchange movements				27	27		-4	-4
Closing balance as of 31 December	662	49	505	2 256	3 472	-993	-145	-1 138

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2014 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	662	49	505	2 256	3 472	-993	-145	-1 138
Realised/unrealised gains/losses:								
Included in net income	2	2	15	175	194	328	-39	289
Included in other comprehensive income	5	-5		-18	-18			0
Purchases	10		14	81	105			0
Issuances			28		28	-126		-126
Sales	-31	-4	-59	-524	-618	73		73
Settlements	-246		-25	-2	-273	-39		-39
Transfers into level 3 ¹		2	43	33	78			0
Transfers out of level 3 ¹		-4		-131	-135			0
Impact of foreign exchange movements	-1	-1		-58	-60		-3	-3
Closing balance as of 31 December	401	39	521	1 812	2 773	-757	-187	-944

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December were as follows:

USD millions	2013	2014
Gains/losses included in net income for the period	1 633	483
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	1 484	167

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December were as follows:

USD millions	2013 Fair value	2014 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	650	388			
Private placement corporate debt	383	317	Corporate Spread Matrix	Illiquidity premium	15 bps–186 bps (65 bps)
Private placement credit tenant leases	68	71	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (98 bps)
Derivative equity contracts	401	396			
OTC equity option referencing correlated equity indices	401	396	Proprietary Option Model	Correlation	–20%–100% (40%) ¹
Liabilities					
Derivative equity contracts	–190	–130			
OTC equity option referencing correlated equity indices	–49	–46	Proprietary Option Model	Correlation	–20%–100% (40%) ¹
Other derivative contracts and liabilities for life and health policy benefits	–910	–803			
Variable annuity and fair valued GMDB contracts	–677	–639	Discounted Cash Flow Model	Risk margin Volatility Lapse Mortality adjustment Withdrawal rate	4% (n.a.) 4%–42% 0.5%–33% –10%–0% 0%–90%
Embedded derivatives in Mod-Co and Coinsurance with Funds Withheld treaties	–125	–22	Discounted Cash Flow Model	Lapse Mortality adjustment	3%–10% 80% (n.a.)

¹ Represents average input value for the reporting period.

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's private placement corporate debt securities and private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's variable annuity and fair valued guaranteed minimum death benefit (GMDB) contracts are: risk margin, volatility, lapse, mortality adjustment rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would result in a significantly higher (lower) fair value of the Group's obligation. A significant increase (decrease) in isolation in a lapse rate for in-the-money contracts would result in a significantly lower (higher) fair value of the Group's obligation, whereas for out-of-the-money contracts, an isolated increase (decrease) in a lapse assumption would increase (decrease) fair value of the Group's obligation. Changes in the mortality adjustment rate impact fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality adjustment rate (ie increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

The significant unobservable inputs underlying the fair valuation of an embedded derivative bifurcated from the Group's modified coinsurance (Mod-Co) and Coinsurance with Funds Withheld treaties are lapse and mortality adjustment to published mortality tables; both are applied to build an expectation of cash flows associated with the underlying block of term business. Both inputs are not expected to significantly fluctuate over time.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December, respectively, were as follows:

USD millions	2013 Fair value	2014 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	735	710	278	non-redeemable	n.a.
Hedge funds	749	344		redeemable ¹	45–95 days ²
Private equity direct	138	109		non-redeemable	n.a.
Real estate funds	231	203	74	non-redeemable	n.a.
Total	1 853	1 366	352		

¹ The redemption frequency varies by position.

² Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including global macro, relative value, event-driven and long/short equity across various asset classes.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis.

The Group elected the fair value option for positions in the following line items in the balance sheet:

Equity securities trading

The Group elected the fair value option for an investment previously classified as available-for-sale within other invested assets in the balance sheet. The Group economically hedges the investment with derivative instruments that offset this exposure. The changes in fair value of the derivatives are recorded in earnings. Electing the fair value option eliminates the mismatch previously caused by the economic hedging of the investment and reduces the volatility in the income statement. Over the first six months of 2014, these equity securities were redeemed.

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts which are classified as universal life-type contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market.

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2013	2014
Assets		
Equity securities trading	615	65
of which at fair value pursuant to the fair value option	544	0
Other invested assets	11 164	9 684
of which at fair value pursuant to the fair value option	403	444
Liabilities		
Liabilities for life and health policy benefits	-36 033	-33 605
of which at fair value pursuant to the fair value option	-145	-187

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the years ended 31 December were as follows:

USD millions	2013	2014
Equity securities trading	35	2
Other invested assets	72	50
Liabilities for life and health policy benefits	125	-41
Total	232	11

Fair value changes from equity securities trading are reported in "Net realised investment gains/losses – non-participating business". Fair value changes from other invested assets are reported in "Net investment income – non-participating business". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

Assets and liabilities not measured at fair value but for which the fair value is disclosed

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December, were as follows:

2013 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		270	270
Mortgage loans		1 801	1 801
Other loans		824	824
Investment real estate		2 551	2 551
Total assets	0	5 446	5 446

Liabilities

Debt	-10 998	-7 528	-18 526
Total liabilities	-10 998	-7 528	-18 526

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		252	252
Mortgage loans		1 888	1 888
Other loans		1 065	1 065
Investment real estate		2 482	2 482
Total assets	0	5 687	5 687
Liabilities			
Debt	-9 934	-6 291	-16 225
Total liabilities	-9 934	-6 291	-16 225

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. The majority of these positions need to be assessed in conjunction with the corresponding insurance business. Considering these circumstances, the Group presents the carrying amount as an approximation for the fair value.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

10 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure.

Fair values and notional amounts of derivative financial instruments

As of 31 December, the fair values and notional amounts of the derivatives outstanding were as follows:

2013 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	81 197	2 380	-2 123	257
Foreign exchange contracts	15 580	252	-417	-165
Equity contracts	20 111	1 266	-731	535
Credit contracts	2 676	46	-49	-3
Other contracts	23 055	140	-773	-633
Total	142 619	4 084	-4 093	-9
Derivatives designated as hedging instruments				
Foreign exchange contracts	1 472	15	-11	4
Total	1 472	15	-11	4
Total derivative financial instruments	144 091	4 099	-4 104	-5
Amount offset				
Where a right of set-off exists		-2 353	2 353	
Due to cash collateral		-524	303	
Total net amount of derivative financial instruments		1 222	-1 448	-226

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	80 449	2 621	-2 118	503
Foreign exchange contracts	12 924	223	-400	-177
Equity contracts	20 462	1 328	-702	626
Credit contracts	450	1	-12	-11
Other contracts	21 247	149	-638	-489
Total	135 532	4 322	-3 870	452
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 770	49	-7	42
Total	2 770	49	-7	42
Total derivative financial instruments	138 302	4 371	-3 877	494
Amount offset				
Where a right of set-off exists		-2 554	2 554	
Due to cash collateral		-976	415	
Total net amount of derivative financial instruments		841	-908	-67

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2013 and 2014.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses – non-participating business" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2013	2014
Derivatives not designated as hedging instruments		
Interest rate contracts	-241	-225
Foreign exchange contracts	-584	42
Equity contracts	-962	-172
Credit contracts	-71	9
Other contracts	1 728	-312
Total gain/loss recognised in income	-130	-658

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2013 and 2014, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. Previously, the Group has entered into interest rate swaps to reduce the exposure to interest rate volatility. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses – non-participating business" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

USD millions	2013		2014	
	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	-240	255		
Foreign exchange contracts	2	-1	122	-120
Total gain/loss recognised in income	-238	254	122	-120

Hedges of the net investment in foreign operations

The Group designates derivative and non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the years ended 31 December 2013 and 2014, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 29 million and a gain of USD 894 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2013 and 2014 was approximately USD 1 746 million and USD 1 817 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features¹

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 305 million and USD 112 million as of 31 December 2013 and 2014, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 2 million and USD 6 million as of 31 December 2013 and 2014, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 106 million additional collateral would have had to be posted as of 31 December 2014. The total equals the amount needed to settle the instruments immediately as of 31 December 2014.

Credit derivatives written/sold

In 2013, the Group has substantially completed the unwinding and de-risking activities and reduced its exposure in credit derivatives written/sold which decreased the related notional amount and fair values materially. As of 31 December 2014, the Group had no significant exposure in credit derivatives written/sold. The maximum potential payout, which is based on notional values, as of 31 December 2013 and 2014, was USD 640 million and nil, respectively.

¹ During 2014, the Group revised the disclosure on contracts that contain credit risk related contingent features. The revision had no impact on net income and shareholders' equity of the Group.

This page intentionally left blank

11 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. Interest expense is classified accordingly.

The Group's debt as of 31 December was as follows:

USD millions	2013	2014
Senior financial debt	901	654
Senior operational debt	2 917	1 047
Short-term debt – financial and operational debt	3 818	1 701
Senior financial debt	3 233	3 513
Senior operational debt	708	713
Subordinated financial debt	5 367	5 486
Subordinated operational debt	5 414	2 903
Long-term debt – financial and operational debt	14 722	12 615
Total carrying value	18 540	14 316
Total fair value	18 526	16 225

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited- or non-recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2013 and 2014, debt related to operational leverage and financial intermediation amounted to USD 9.0 billion (thereof USD 6.1 billion limited- or non-recourse) and USD 4.7 billion (thereof USD 3.4 billion limited- or non-recourse), respectively.

Maturity of long-term debt

As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2013	2014
Due in 2015	730	0 ¹
Due in 2016	2 151	1 984
Due in 2017	1 341	1 215
Due in 2018	0	854
Due in 2019	1 981	1 922
Due after 2019	8 519	6 640
Total carrying value	14 722	12 615

¹ Balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2017	EMTN	2011	CHF	600	2.13%	601
2018	Syndicated revolving credit facility	2014	GBP	550	variable	854
2019	Senior notes ¹	1999	USD	234	6.45%	272
2022	Senior notes	2012	USD	250	2.88%	249
2024	EMTN	2014	CHF	250	1.00%	250
2026	Senior notes ¹	1996	USD	397	7.00%	519
2030	Senior notes ¹	2000	USD	193	7.75%	279
2042	Senior notes	2012	USD	500	4.25%	489
Various	Payment undertaking agreements	various	USD	579	various	713
Total senior long-term debt as of 31 December 2014						4 226
Total senior long-term debt as of 31 December 2013						3 941

¹ Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	First call in	Book value in USD millions
2024	Subordinated contingent write-off loan note	2013	USD	750	6.38%	2019	829
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	597
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	496
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	212
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 862	4.83%		2 903
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 209
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	752
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	778
	Subordinated perpetual loan note	2007	AUD	300	7.64%	2017	245
	Subordinated perpetual loan note	2007	AUD	450	6 months BBSW +1.17%	2017	368
Total subordinated long-term debt as of 31 December 2014						8 389	
Total subordinated long-term debt as of 31 December 2013						10 781	

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the years ended 31 December was as follows:

USD millions	2013	2014
Senior financial debt	148	120
Senior operational debt	48	16
Subordinated financial debt	286	300
Subordinated operational debt	246	231
Total	728	667

Interest expense on contingent capital instruments was USD 67 million and USD 69 million for the years ended 31 December 2013 and 2014, respectively.

Long-term debt issued in 2014

In April 2014, Swiss Re Life Capital Ltd entered into a GBP 550 million revolving credit facility with a syndicate of banks. The facility has an expiry date of 7 April 2018. At 31 December 2014, the facility was fully drawn.

In September 2014, Swiss Re Corporate Solutions Ltd issued a 30-year subordinated fixed rate resettable callable loan note with a first optional redemption date on 11 September 2024 and a scheduled maturity in 2044. The note has a face value of USD 500 million, with a fixed coupon of 4.5% per annum until the first optional redemption date.

In September 2014, Swiss Reinsurance Company Ltd issued 10-year senior notes maturing in 2024. The notes have a face value of CHF 250 million, with a fixed coupon of 1% per annum.

Contingent capital instruments

In February 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated instrument with stock settlement. The instrument has a face value of CHF 320 million, with a fixed coupon of 7.25% per annum until the first optional redemption date (1 September 2017).

In March 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated capital instrument with stock settlement. The instrument has a face value of USD 750 million, with a fixed coupon of 8.25% per annum until the first optional redemption date (1 September 2018).

Both instruments may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time through at market conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price (CHF 26 for the instrument with face value of CHF 320 million and USD 32 for the instrument with face value of USD 750 million, respectively). These instruments are referred to in these financial statements as "contingent capital instruments".

12 Earnings per share

All of the Group's companies prepare statutory financial statements based on local laws and regulations. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

Dividends are declared in Swiss francs. During the years ended 31 December 2013 and 2014, the Group declared regular dividends per share of CHF 3.50 and CHF 3.85, respectively, as well as additional special dividends of CHF 4.00 and CHF 4.15, respectively. All dividends were paid in the form of withholding tax exempt repayments of legal reserves from capital contributions.

Earnings per share for the years ended 31 December were as follows:

USD millions (except share data)	2013	2014
Basic earnings per share		
Net income	4 513	3 569
Non-controlling interests	-2	0
Interest on contingent capital instruments ¹	-67	-69
Net income attributable to common shareholders	4 444	3 500
Weighted average common shares outstanding	342 764 609	342 213 498
Net income per share in USD	12.97	10.23
Net income per share in CHF²	12.04	9.33
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments ¹	69	69
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192
Change in average number of shares due to employee options	1 094 715	2 198 904
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	4 513	3 569
Weighted average common shares outstanding	379 604 516	380 157 594
Net income per share in USD	11.89	9.39
Net income per share in CHF²	11.04	8.56

¹ Please refer to Note 11 "Debt and contingent capital instruments".

² The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

13 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

USD millions	2013	2014
Current taxes	641	1 072
Deferred taxes	-329	-414
Income tax expense	312	658

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2013	2014
Income tax at the Swiss statutory tax rate of 21.0%	1 013	888
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	61	137
Impact of foreign exchange movements	-8	-86
Tax exempt income/dividends received deduction	-164	-105
Change in valuation allowance	-257	99
Basis differences in subsidiaries	-152	-155
Change in liability for unrecognised tax benefits including interest and penalties	-144	-207
Other, net	-37	87
Total	312	658

The Group reported a tax charge of USD 658 million on a pre-tax income of USD 4 227 million for 2014, compared to a charge of USD 312 million on a pre-tax income of USD 4 825 million for 2013. This translates into an effective tax rate in the current and prior-year reporting periods of 15.6% and 6.5%, respectively. The higher tax rate in the current year results from profits earned in higher tax jurisdictions and lower one-off tax benefits, partially offset by a higher tax benefit from foreign currency translation differences between statutory and GAAP accounts. The particularly low effective tax rate in 2013 was also driven by the conclusion of audits, rulings and revised tax opinions, as well as the implementation of lower tax rates and the transition to a new tax regime in the UK.

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2013	2014
Deferred tax assets		
Income accrued/deferred	503	291
Technical provisions	762	620
Pension provisions	206	289
Benefit on loss carryforwards	3 648	3 980
Currency translation adjustments	540	412
Unrealized gains in income	181	422
Other	858	1 063
Gross deferred tax asset	6 698	7 077
Valuation allowance	-935	-935
Unrecognised tax benefits offsetting benefits on loss carryforwards ¹		-24
Total deferred tax assets	5 763	6 118
Deferred tax liabilities		
Present value of future profits	-727	-640
Income accrued/deferred	-642	-929
Bond amortisation	-206	-374
Deferred acquisition costs	-721	-730
Technical provisions	-2 845	-3 104
Unrealised gains on investments	-589	-1 657
Untaxed realised gains	-524	-394
Foreign exchange provisions	-132	-279
Other	-705	-671
Total deferred tax liabilities	-7 091	-8 778
Liability for unrecognised tax benefits including interest and penalties	-1 151	-667
Total deferred and other non-current tax liabilities	-8 242	-9 445
Net deferred and other non-current taxes	-2 479	-3 327

¹ The Group updated its unrecognised tax benefits presentation. Unrecognised tax benefits is now presented as a reduction to deferred tax assets when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. This change is applied prospectively.

As of 31 December 2014, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 4.0 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2014, the Group had USD 11 336 million net operating tax loss carryforwards, expiring as follows: USD 28 million in 2018, USD 48 million in 2019, USD 9 149 million in 2020 and beyond, and USD 2 111 million never expire.

The Group also had capital loss carryforwards of USD 1 511 million, expiring as follows: USD 81 million in 2019, USD 1 430 million never expire.

Net operating tax losses of USD 1 357 million and net capital tax losses of USD 43 million were utilised during the period ended 31 December 2014.

Income taxes paid in 2013 and 2014 were USD 447 million and USD 509 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2013	2014
Balance as of 1 January	1 228	1 013
Additions based on tax positions related to current year	88	26
Additions based on tax positions related to prior years	158	71
Reduction for tax positions of current year		-137
Reductions for tax positions of prior years	-392	-248
Settlements	-90	-90
Other (including foreign currency translation)	21	-56
Balance as of 31 December	1 013	579

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 778 million and USD 539 million at 31 December 2013 and 2014, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense in 2014 was USD 19 million (USD 128 million in 2013). As of 31 December 2013 and 2014, USD 138 million and USD 112 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2014 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2014 presented in the table above excludes accrued interest and penalties of USD 112 million.

During the year, certain tax positions and audits in Switzerland, France, Germany, Canada and Japan were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subject to examination:

Australia	2010–2014	Japan	2009–2014
Belgium	2010–2014	Korea	2013–2014
Brasil	2010–2014	Luxembourg	2010–2014
Canada	2008–2014	Malaysia	2013–2014
China	2005–2014	Mexico	2009–2014
Colombia	1999, 2009, 2013–2014	Netherlands	2010–2014
Denmark	2010–2014	New Zealand	2009–2014
France	2008–2014	Singapore	2008–2014
Germany	2007–2014	Slovakia	2009–2014
Hong Kong	2008–2014	South Africa	2011–2014
India	2005–2014	Spain	2010–2014
Ireland	2010–2014	Switzerland	2011–2014
Israel	2008–2014	United Kingdom	2008, 2011–2014
Italy	2009–2014	United States	2009–2014

This page intentionally left blank

14 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

The measurement date of these plans is 31 December for each year presented.

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 692	2 192	383	6 267
Service cost	118	7	6	131
Interest cost	72	87	11	170
Amendments				0
Actuarial gains/losses	-338	57	-47	-328
Benefits paid	-137	-73	-15	-225
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	97	35	3	135
Benefit obligation as of 31 December	3 531	2 305	341	6 177
Fair value of plan assets as of 1 January	3 214	2 001		5 215
Actual return on plan assets	221	141		362
Company contribution	227	143	15	385
Benefits paid	-137	-74	-15	-226
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	109	34		143
Fair value of plan assets as of 31 December	3 661	2 245	0	5 906
Funded status	130	-60	-341	-271

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 531	2 305	341	6 177
Service cost	100	8	5	113
Interest cost	76	98	12	186
Amendments	-90	1		-89
Actuarial gains/losses	587	226	52	865
Benefits paid	-129	-75	-17	-221
Employee contribution	27			27
Acquisitions/disposals/additions		-4		-4
Effect of settlement, curtailment and termination	1	-24		-23
Effect of foreign currency translation	-418	-146	-22	-586
Benefit obligation as of 31 December	3 685	2 389	371	6 445
Fair value of plan assets as of 1 January	3 661	2 245		5 906
Actual return on plan assets	281	266		547
Company contribution	101	91	17	209
Benefits paid	-129	-76	-17	-222
Employee contribution	27			27
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1	-23		-22
Effect of foreign currency translation	-407	-149		-556
Fair value of plan assets as of 31 December	3 535	2 354	0	5 889
Funded status	-150	-35	-371	-556

Amounts recognised in the balance sheet, as of 31 December were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets	130	49		179
Current liabilities		-2	-16	-18
Non-current liabilities		-107	-325	-432
Net amount recognised	130	-60	-341	-271

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		208		208
Current liabilities		-3	-15	-18
Non-current liabilities	-150	-240	-356	-746
Net amount recognised	-150	-35	-371	-556

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	521	385	-109	797
Prior service cost/credit	-2	2	-88	-88
Total	519	387	-197	709

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	896	407	-45	1 258
Prior service cost/credit	-87	2	-77	-162
Total	809	409	-122	1 096

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December, were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	118	7	6	131
Interest cost	72	87	11	170
Expected return on assets	-102	-99		-201
Amortisation of:				
Net gain/loss	57	18	-6	69
Prior service cost			-10	-10
Effect of settlement, curtailment and termination	1			1
Net periodic benefit cost	146	13	1	160

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	100	8	5	113
Interest cost	76	98	12	186
Expected return on assets	-112	-111		-223
Amortisation of:				
Net gain/loss	43	24	-12	55
Prior service cost	-5	-3	-11	-19
Effect of settlement, curtailment and termination	1	-2		-1
Net periodic benefit cost	103	14	-6	111

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	-457	15	-46	-488
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	-57	-18	6	-69
Prior service cost			10	10
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		10		10
Total recognised in other comprehensive income, gross of tax	-514	7	-30	-537
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	-368	20	-29	-377
2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	418	71	52	541
Prior service cost/credit	-90	-3		-93
Amortisation of:				
Net gain/loss	-43	-24	12	-55
Prior service cost	5	3	11	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		-25		-25
Total recognised in other comprehensive income, gross of tax	290	22	75	387
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	393	36	69	498

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2015 are USD 92 million and USD 9 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2015 are USD 4 million and USD 10 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 735 million and USD 5 980 million as of 31 December 2013 and 2014, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2013	2014
Projected benefit obligation	594	4 771
Accumulated benefit obligation	593	4 722
Fair value of plan assets	490	4 379

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2013	2014	2013	2014	2013	2014
Assumptions used to determine obligations at the end of the year						
Discount rate	2.3%	1.1%	4.4%	3.5%	3.5%	2.7%
Rate of compensation increase	2.3%	2.3%	3.4%	2.9%	2.1%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.0%	2.3%	4.2%	4.4%	3.1%	3.5%
Expected long-term return on plan assets	3.3%	3.3%	5.1%	5.2%		
Rate of compensation increase	2.3%	2.3%	3.2%	3.4%	3.4%	2.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.0%	6.0%
Medical trend – ultimate rate					4.5%	4.5%
Year that the rate reaches the ultimate trend rate					2018	2019

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2014:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	-1
Effect on post-retirement benefit obligation	28	-24

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2013 and 2014 was as follows:

Asset category	Swiss plan allocation			Foreign plans allocation		
	2013	2014	Target allocation	2013	2014	Target allocation
Equity securities	27%	28%	26%	36%	29%	29%
Debt securities	41%	46%	48%	59%	66%	68%
Real estate	19%	18%	20%	1%	0%	1%
Other	13%	8%	6%	4%	5%	2%
Total	100%	100%	100%	100%	100%	100%

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 7 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2013 and 2014, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 9 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the table below are not within the scope of Note 9, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 9.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2013 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 838		2 838
Debt securities issued by the US government and government agencies		136		136
Debt securities issued by non-US governments and government agencies		1 028		1 028
Corporate debt securities		1 647		1 647
Residential mortgage-backed securities		21		21
Commercial mortgage-backed securities		1		1
Other asset-backed securities		5		5
Equity securities:				
Equity securities held for proprietary investment purposes	1 030	801		1 831
Derivative financial instruments	16			16
Real estate	54	17	631	702
Other assets	136	58	132	326
Total assets at fair value	1 236	3 714	763	5 713
Cash	193			193
Total plan assets	1 429	3 714	763	5 906

2014 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:	9	3 211		3 220
Debt securities issued by the US government and government agencies	9	146		155
Debt securities issued by non-US governments and government agencies		890		890
Corporate debt securities		2 150		2 150
Residential mortgage-backed securities		22		22
Commercial mortgage-backed securities		2		2
Other asset-backed securities		1		1
Equity securities:				
Equity securities held for proprietary investment purposes	976	684		1 660
Derivative financial instruments	-3			-3
Real estate	53	10	578	641
Other assets	21	59	139	219
Total assets at fair value	1 056	3 964	717	5 737
Cash	148	4		152
Total plan assets	1 204	3 968	717	5 889

Assets measured at fair value using significant unobservable inputs (Level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2013 USD millions	Real estate	Other assets	Total
Balance as of 1 January	572	125	697
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	31	1	32
Relating to assets sold during the period		4	4
Purchases, issuances and settlements	11	-1	10
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	17	3	20
Closing balance as of 31 December	631	132	763

2014 USD millions	Real estate	Other assets	Total
Balance as of 1 January	631	132	763
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date		5	5
Relating to assets sold during the period		14	14
Purchases, issuances and settlements	13	-4	9
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	-66	-8	-74
Closing balance as of 31 December	578	139	717

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2015 to the defined benefit pension plans are USD 257 million and to the post-retirement benefit plan are USD 15 million.

As of 31 December 2014, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2015	198	75	15	288
2016	194	80	16	290
2017	187	83	17	287
2018	188	86	18	292
2019	186	90	19	295
Years 2020–2024	886	487	102	1 475

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2013 and in 2014 was USD 74 million and USD 79 million, respectively.

15 Share-based payments

As of 31 December 2013 and 2014 the Group had the share-based compensation plans as described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 126 million and USD 76 million in 2013 and 2014, respectively. The related tax benefit was USD 28 million and USD 17 million, respectively.

Stock option plans

No options were granted under stock option plans from 2007 onwards. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's stock option plans is as follows:

2014	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	89	100 000
Outstanding as of 31 December	84	100 000
Exercisable as of 31 December	84	100 000

The weighted remaining contractual life is 1.4 years and all stock options outstanding are also exercisable. The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding options has been adjusted for the special dividend payout in 2013 and 2014.

Restricted shares

The Group granted 10 458 and 25 153 restricted shares to selected employees in 2013 and 2014, respectively. Moreover, as an alternative to the Group's cash bonus programme, 295 535 and 302 260 shares were delivered during 2013 and 2014, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2014 is as follows:

	Weighted average grant date fair value in CHF ¹	Number of shares
Non-vested at 1 January	67	528 974
Granted	81	327 413
Delivery of restricted shares	73	-277 551
Outstanding as of 31 December	73	578 836

¹ Equals the market price of the shares on the date of grant.

Long-term Incentive Plan

Between 2006 and 2011, the Group annually granted a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service period as well as the maximum contractual term for each plan is three years and the final payment, if any, occurs at the end of this performance measurement period. The plans include a payout factor which was derived from Return on Equity (ROE) and Earnings per Share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan will depend on whether the performance targets have been achieved over the plan period. The fair values of the plans are based on stochastic models which consider the likelihood of achieving performance targets and the impact of dividends.

The 2010 LTI grant was settled in shares in March 2013. The payout factor was driven by average ROE and average EPS over the vesting period. The share price used for measurement is based on the date of grant and was CHF 48.15.

The 2011 LTI grant was settled in shares in March 2014. The payout factor was driven by average ROE and average EPS over the vesting period. The share price used for measurement is based on the date of grant and was CHF 39.39.

For the year ended 31 December 2014, no units were outstanding:

	LTI 2011
Non-vested at 1 January	873 795
Forfeitures	-855
Vested ¹	-872 940
Outstanding as of 31 December	0

¹ Refers to the number of units before the application of the payout factor.

Leadership Performance Plan

During 2011 the Compensation Committee reviewed the existing long-term incentive scheme, and in March 2012, the LTI was replaced by a new plan called the Leadership Performance Plan (LPP). The LPP plans are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For the LPP 2014 an additional two-year holding period applies for all Group EC and GMB members. At grant date the award is split equally into two underlying components - Restricted Share Units (RSU) and Performance Share Units (PSU). The RSU component is measured against a ROE performance condition and will vest within a range of 0–100%. The PSU is based on relative total shareholder return, measured against a pre-defined basket of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013, respectively a special dividend of CHF 4.15 for the LPP 2014) and the risk free rate based on the average of the 5-year US government rate taken monthly over each annual period in the performance period. This resulted in risk free rates between 1.0 and 3.1% for LPP 2012, LPP 2013 and LPP 2014.

For the year ended 31 December 2014, the outstanding units were as follows:

	LPP 2012		LPP 2013		LPP 2014	
	RSU	PSU	RSU	PSU	RSU	PSU
Non-vested at 1 January	458 640	540 720	350 205	407 565		
Granted					364 280	368 145
Forfeitures	-18 770	-22 135	-15 555	-18 100	-4 660	-4 715
Outstanding as of 31 December	439 870	518 585	334 650	389 465	359 620	363 430
Grant date fair value in CHF	42.00	35.60	61.19	52.59	60.85	60.21

Unrecognised compensation costs

As of 31 December 2014, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 61 million and the weighted average period over which that cost is expected to be recognised is 1.8 years.

The number of shares authorised for the Group's share-based payments to employees was 5 538 418 and 3 930 229 as of 31 December 2013 and 2014, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle future share-based compensation plans.

Employee Participation Plan

The Group's Employee Participation Plan consists of a savings scheme lasting two or three years. Employees combine regular savings with the purchase of either actual or tracking options. The Group contributes to the employee savings over the period of the plan.

At maturity, either the employee receives shares or cash equal to the accumulated savings balance, or the employee may elect to exercise the options.

From 2013 onwards, the Employee Participation Plan was discontinued and no more options were issued. In 2013 and 2014, the Group contributed USD 34 million and USD 12 million, respectively, to the outstanding plans.

Global Share Participation Plan

In June 2013 Swiss Re introduced the Global Share Participation Plan, which is a share purchase plan that was rolled out for the benefit of employees of companies within the Group. Swiss Re makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2013 and 2014, Swiss Re contributed USD 3 million and USD 7 million to the plans and authorised 28 218 and 109 461 shares as of 31 December 2013 and 2014, respectively.

16 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of compensation and loans to the members of the Board of Directors and of the Group Executive Committee, as well as closely related persons, are detailed in the Compensation report on pages 138–143 of the Financial Report of the Swiss Re Group.

The disclosure requirements under Swiss Company Law in respect of participations of members of the Board of Directors and the Group Executive Committee, as well as closely related persons, are detailed on pages 254–255 of the Annual Report of Swiss Re Ltd.

17 Related parties

The Group defines the following as related parties to the Group: subsidiaries of Swiss Re Ltd, entities in which the Group has significant influence, pension plans, members of the Board of Directors (BoD) and the Group Executive Committee (EC) and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of the Group and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes.

As of 31 December 2013 and 2014, the Group's investment in mortgages and other loans included USD 304 million and USD 285 million, respectively, of loans due from employees, and USD 233 million and USD 210 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 14 Benefit plans. Plan assets of the defined benefit pension plans include Swiss Re common stock of USD 7 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2013 and 2014, respectively.

Share ownership and loans extended to members of BoD and Group EC are disclosed in Note 16 Compensation, participations and loans of members of governing bodies in the financial statements of Swiss Re Ltd. The total number of shares, options and related instruments held by members of the BoD and the Group EC and persons closely related to, amounts to less than 1% of the shares issued by Swiss Re Ltd. None of the members of BoD and the Group EC has any significant business connection with Swiss Re Ltd or any of its Group companies.

Share in earnings and dividends received from equity-accounted investees for the years ended 31 December, were as follows:

USD millions	2013	2014
Share in earnings of equity-accounted investees	350	321
Dividends received from equity-accounted investees	198	277

18 Commitments and contingent liabilities

Leasing commitments

As part of its normal business operations, the Group enters into a number of lease agreements. As of 31 December, such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

USD millions	2014
2015	79
2016	76
2017	68
2018	54
2019	40
After 2019	269
Total operating lease commitments	586
Less minimum non-cancellable sublease rentals	42
Total net future minimum lease commitments	544

The following schedule shows the composition of total rental expenses for all operating leases as of 31 December (except those with terms of a month or less that were not renewed):

USD millions	2013	2014
Minimum rentals	64	69
Sublease rental income	-1	0
Total	63	69

Other commitments

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to 10 years. The total commitments remaining uncalled as of 31 December 2014 were USD 2 034 million.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

19 Significant subsidiaries and equity investees

Significant subsidiaries and equity investees	Currency	Share capital (millions)	Affiliation in % as of 31.12.2014	Method of consolidation
Europe				
Belgium				
Swiss Re Treasury (Belgium) N.V., Brussels	EUR	382	100	f
Germany				
Swiss Re Germany AG, Unterföhring bei München	EUR	45	100	f
Guernsey				
Pension Corporation Group Limited, St. Peter Port	GBP	925	5	fv
Liechtenstein				
Elips Life AG, Triesen	CHF	12	100	f
Elips Versicherungen AG, Triesen	CHF	5	100	f
Luxembourg				
Swiss Re Europe Holdings S.A., Luxembourg	EUR	105	100	f
Swiss Re Europe S.A., Luxembourg	EUR	350	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	EUR	0	100	f
Swiss Re Funds (Lux) I, Senningerberg ¹	EUR	10 397	100	f
Swiss Re International SE, Luxembourg	EUR	182	100	f
Netherlands				
Algemene Levensherverezekering Maatschappij N.V., Amsterdam	EUR	1	100	f
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	CHF	312	100	f
Swiss Re Asset Management Geneva SA, Carouge	CHF	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	CHF	100	100	f
Swiss Re Direct Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Ltd, Zurich	CHF	1	100	f
Swiss Re Life Capital Ltd, Zurich	CHF	0	100	f
Swiss Reinsurance Company Ltd, Zurich	CHF	34	100	f
United Kingdom				
Admin Re UK Limited, Shropshire	GBP	73	100	f
Admin Re UK Finance Limited, Shropshire	GBP	0	100	f
Reassure Limited, Shropshire	GBP	289	100	f
Swiss Re Capital Markets Limited, London	USD	60	100	f
Swiss Re Services Limited, London	GBP	2	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	GBP	1	100	f

Method of consolidation

f full

e equity

fv fair value

¹ Net asset value instead of share capital

Significant subsidiaries and equity investees	Currency	Share capital (millions)	Affiliation in % as of 31.12.2014	Method of consolidation
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	USD	5	100	f
European International Reinsurance Company Ltd., Bridgetown	USD	1	100	f
Gaspar Funding Corporation, Bridgetown	USD	17	100	f
Milvus I Reassurance Limited, Bridgetown	USD	0	100	f
Swiss Re (Barbados) Finance Limited, Bridgetown	GBP	513	100	f
Bermuda				
Ark Insurance Holdings Limited, Hamilton	USD	6	14	fv
CORE Reinsurance Company Limited, Hamilton	USD	0	100	f
Swiss Re Global Markets Limited, Hamilton	USD	0	100	f
Brazil				
Sul America S.A., Rio de Janeiro	BRL	2320	15	e
Swiss Re Brasil Resseguros S.A., Sao Paulo	BRL	194	100	f
Swiss Re Corporate Solutions Brasil Seguros S.A., Sao Paulo	BRL	108	100	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	GBP	353	100	f
FWD Group Ltd., George Town	USD	0	12	e
Swiss Re Strategic Investments UK Limited, George Town	GBP	211	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogota	COP	223551	51	f

Significant subsidiaries and equity investees	Currency	Share capital (millions)	Affiliation in % as of 31.12.2014	Method of consolidation
United States				
Aurora National Life Assurance Company, Wethersfield	USD	3	100	f
Facility Insurance Corporation, Austin	USD	1	100	f
Facility Insurance Holding Corporation, Dallas	USD	0	100	f
First Specialty Insurance Corporation, Jefferson City	USD	5	100	f
North American Capacity Insurance Company, Manchester	USD	4	100	f
North American Elite Insurance Company, Manchester	USD	4	100	f
North American Specialty Insurance Company, Manchester	USD	5	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD	0	100	f
Sterling Re Inc., Burlington	USD	21	100	f
Swiss Re America Holding Corporation, Wilmington	USD	0	100	f
Swiss Re Capital Markets Corporation, New York	USD	0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD	0	100	f
Swiss Re Financial Markets Corporation, Wilmington	USD	0	100	f
Swiss Re Financial Products Corporation, Wilmington	USD	2 116	100	f
Swiss Re Financial Services Corporation, Wilmington	USD	0	100	f
Swiss Re Life & Health America Inc., Hartford	USD	4	100	f
Swiss Re Partnership Holding, LLC, Dover	USD	368	100	f
Swiss Re Risk Solutions Corporation, Wilmington	USD	0	100	f
Swiss Re Solutions Holding Corporation, Wilmington	USD	9	100	f
Swiss Re Treasury (US) Corporation, Wilmington	USD	0	100	f
Swiss Reinsurance America Corporation, Armonk	USD	10	100	f
Washington International Insurance Company, Manchester	USD	4	100	f
Westport Insurance Corporation, Jefferson City	USD	6	100	f
Africa				
South Africa				
Swiss Re Life and Health Africa Limited, Cape Town	ZAR	2	100	f
Kenya				
Apollo Investments Ltd., Nairobi	KES	205	27	e
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	AUD	845	100	f
Swiss Re Life & Health Australia Limited, Sydney	AUD	980	100	f
China				
Alltrust Insurance Company of China Limited, Shanghai	CNY	2 178	5	fv
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	VND	1 008 277	25	e

20 Variable interest entities

The Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise as a result of the Group's involvement in certain insurance-linked and credit-linked securitisations, swaps in trusts, debt financing and other entities which meet the definition of a VIE.

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, the entity is considered a VIE and needs to be assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Group assesses for all its variable interests in VIEs whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. For this, the Group identifies the activities that most significantly impact the entity's performance and determines whether the Group has the power to direct those activities. In conducting the analysis, the Group considers the purpose, the design and the risks that the entity was designed to create and pass through to its variable interest holders. In a second step, the Group assesses if it has the obligation to absorb losses or if it has the right to receive benefits of the VIE that could potentially be significant to the entity. If both criteria are met, the Group has a controlling financial interest in the VIE and consolidates the entity.

Whenever facts and circumstances change, a review is undertaken of the impact these changes could have on the consolidation assessment previously performed. When the assessment might be impacted, a reassessment to determine the primary beneficiary is performed.

Insurance-linked and credit-linked securitisations

The insurance-linked and credit-linked securitisations transfer pre-existing insurance or credit risk to the capital markets through the issuance of insurance-linked or credit-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. In credit-linked securitisations, the securitisation vehicle assumes the credit risk from a sponsor through credit default swaps. The securitisation vehicle generally retains the issuance proceeds as collateral. The collateral held predominantly consists of investment-grade securities.

Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, in which case maximum loss equals to the Group's investment balance.

Generally, the activities of a securitisation vehicle are pre-determined at formation. There are substantially no ongoing activities during the life of the VIE that could significantly impact the economic performance of the vehicle. Consequently, the main focus to identify the primary beneficiary is on the activities performed and decisions made when the VIE was designed.

Life and health funding vehicles

The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract to a funding vehicle, which represents a potentially significant variable interest. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

The Group provides risk management services to certain asset securitisation trusts which qualify as VIEs. As the involvement of the Group is limited to interest rate and foreign exchange derivatives, it does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles

Debt financing vehicles issue preference shares or loan notes to provide the Group with funding. The Group is partially exposed to the asset risk by holding equity rights or by protecting some of the assets held by the VIEs via guarantees or derivative contracts. The assets held by the VIEs consist primarily of investment-grade securities, but also structured products, hedge fund units and derivatives.

The Group consolidates certain debt financing vehicles as it has power over the investment management in the vehicles, which is considered to be the activity that most significantly impacts the entities' economic performance. In addition, the Group absorbs the variability of the investment return so that both criteria for a controlling financial interest are met.

Investment vehicles

Investment vehicles are private equity limited partnerships, in which the Group is invested as part of its investment strategy. Typically, the Group's variable interests arise through limited partner ownership interests in the vehicles. The Group does not own the general partners of the limited partnerships, and does not have any significant kick-out or participating rights. Therefore the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the vehicles decrease. The maximum exposure to loss equals the carrying amount of the ownership interest.

Other

The VIEs in this category were created for various purposes. Generally, the Group is exposed to the asset risk of the VIEs by holding an equity stake in the VIE or by guaranteeing a part or the entire asset value to third-party investors. A significant portion of the Group's exposure is either retroceded or hedged. The assets held by the VIEs consist mainly of residential real estate and other.

The Group did not provide financial or other support to any VIEs during 2014 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December:

USD millions	2013		2014	
	Carrying value	Whereof restricted	Carrying value	Whereof restricted
Fixed income securities available-for-sale	6 490	6 490	4 200	4 200
Short-term investments	61	61	95	95
Other invested assets	8		16	
Cash and cash equivalents	162	162	25	25
Accrued investment income	60	60	38	38
Deferred tax assets			19	19
Other assets	17		16	
Total assets	6 798	6 773	4 409	4 377
	Carrying value	Whereof limited recourse	Carrying value	Whereof limited recourse
Deferred and other non-current tax liabilities			177	177
Short-term debt	62	62		
Accrued expenses and other liabilities	20	20	7	7
Long-term debt	5 414	5 414	2 903	2 903
Total liabilities	5 496	5 496	3 087	3 087

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2013	2014
Fixed income securities:		
Available-for-sale	71	69
Trading	15	
Policy loans mortgages and other loans		84
Other invested assets	1 568	1 451
Total assets	1 654	1 604
Short-term debt	417	
Accrued expenses and other liabilities	422	167
Total liabilities	839	167

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2013				2014			
	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	72		90	90	70		68	68
Life and health funding vehicles	18		792	792			1 683	1 683
Swaps in trusts	96	284	– ²	–	35	82	– ²	–
Debt financing	407		30	30	378		28	28
Investment vehicles	853		853	853	845		845	845
Other	208	555	1 105	550	276	85	1 076	991
Total	1 654	839	–²	–	1 604	167	–²	–

¹Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.

²The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses. Liabilities of USD 85 million recognised for the "Other" category relate mainly to a guarantee granted.

21 Restructuring provision

In 2014, the Group set up a provision of USD 16 million for restructuring costs, and released USD 3 million.

The increase of the provision in the Property & Casualty Reinsurance business segment of USD 16 million is mostly related to office structure simplification costs and leaving benefits.

Changes in restructuring provisions are disclosed in the "Other expenses" line in the Group's income statement.

For the years ended 31 December, restructuring provision developed as follows:

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Admin Re®	Total
Balance as of 1 January	32	1	11	44
Increase in provision	46			46
Release of provision	-2			-2
Costs incurred	-12	-1	-1	-14
Balance as of 31 December	64	0	10	74

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Admin Re®	Total
Balance as of 1 January	64	0	10	74
Increase in provision	16			16
Release of provision	-3			-3
Costs incurred	-15		-3	-18
Effect of foreign currency translation	-5		-1	-6
Balance as of 31 December	57	0	6	63

22 Risk assessment

Risk management bodies and functions

Swiss Re's Board of Directors is ultimately responsible for the Group's governance principles and policies. It mainly performs risk oversight and governance through three committees:

- The Finance and Risk Committee reviews the Group Risk Policy and risk capacity limits, monitors adherence to risk tolerance, and reviews top risk issues and exposures.
- The Investment Committee reviews the financial risk analysis methodology and valuation related to each asset class and ensures that the relevant management processes and controlling mechanisms are in place.
- The Audit Committee oversees internal controls and compliance procedures.

The Group Executive Committee (Group EC) is responsible for developing and implementing Swiss Re's Group-wide risk management framework. It also sets and monitors risk capacity limits, oversees the economic value management framework, determines product policy and underwriting standards, and manages regulatory interactions and legal obligations. The Group EC has delegated various risk management responsibilities to the Group Chief Risk Officer (CRO) as well as to the Business Units.

The Group CRO, who is a member of the Group EC, reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. He leads the Group Risk Management function, which is responsible for risk oversight and control across Swiss Re. The Group Risk Management function is comprised of central risk management units providing shared services, along with dedicated teams for the Reinsurance, Corporate Solutions, and Admin Re[®] Business Units.

The three Business Unit risk teams are led by dedicated Chief Risk Officers, who report directly to the Group CRO and have a secondary reporting line to their respective Business Unit CEO. The Business Unit CROs are responsible for risk oversight in their respective Business Unit, as well as for establishing proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and legal entity CROs, who are responsible for overseeing risk management issues that arise at regional or legal entity level.

While the risk management organisation is closely aligned to the business organisation in order to ensure effective risk oversight, all embedded teams and CROs remain part of the Group Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks.

The central risk management units support the CROs at Group, Business Unit and lower levels in discharging their oversight responsibilities. They do so by providing services such as:

- Financial risk management
- Specialised risk category expertise and accumulation control
- Risk modelling and analytics
- Regulatory relations management,
- Developing the central risk governance framework

The central departments also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

The monitoring of reserves for the three Business Units is provided by a dedicated Actuarial Control Unit within Risk Management. In addition, actuarial management for Corporate Solutions and Admin Re[®] is part of Risk Management, whereas in Reinsurance the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

Risk management activities are also supported by our Group Internal Audit and Compliance units. Group Internal Audit performs independent, objective assessments of adequacy and effectiveness of internal control systems. It evaluates execution processes of Swiss Re, including those within Risk Management. Our Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules, and the Group's Code of Conduct. In addition, it assists the Board of Directors, the Group EC and management in identifying, mitigating and managing compliance risks. For more information on our audit and compliance functions, see page 95 of this Financial Report.

This page intentionally left blank

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Swiss Re Ltd and its subsidiaries, which comprise the consolidated balance sheet as of 31 December 2014, and the related consolidated income statement, statement of comprehensive income, statement of share-holders' equity, statement of cash flow and notes (pages 148 to 238) for the year then ended.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the over-all presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Swiss Re Ltd and its subsidiaries at 31 December 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Alex Finn
Audit expert
Auditor in charge



Bret Griffin

Zürich, 17 March 2015

Group financial years 2005–2014

USD millions	2005 ²	2006 ^{1,2}	2007 ^{1,2}
Income statement			
Revenues			
Premiums earned	21 622	23 526	26 337
Fee income	708	701	794
Net investment income	4 934	6 370	8 893
Net realised investment gains/losses	2 793	1 679	-615
Trading revenues	278		
Other revenues	228	223	251
Total revenues	30 563	32 499	35 660
Expenses			
Claims and claim adjustment expenses	-11 866	-9 405	-10 035
Life and health benefits	-6 970	-7 647	-9 243
Return credited to policyholders	-2 427	-2 253	-1 763
Acquisition costs	-4 766	-4 845	-5 406
Amortisation of goodwill			
Other operating costs and expenses	-2 477	-3 679	-4 900
Total expenses	-28 506	-27 829	-31 347
Income/loss before income tax expense	2 057	4 670	4 313
Income tax expense	-205	-1 033	-853
Net income/loss before attribution of non-controlling interests	1 852	3 637	3 460
Income/loss attributable to non-controlling interests			
Net income after attribution of non-controlling interests	1 852	3 637	3 460
Interest on contingent capital instruments			
Net income/loss attributable to common shareholders	1 852	3 637	3 460
Balance sheet			
Assets			
Investments	99 094	167 303	201 221
Other assets	68 817	71 317	70 198
Total assets	167 911	238 620	271 419
Liabilities			
Unpaid claims and claim adjustment expenses	54 447	77 829	78 195
Liabilities for life and health policy benefits	23 583	36 779	44 187
Unearned premiums	4 980	6 574	6 821
Other liabilities	61 953	80 802	95 172
Long-term debt	4 440	11 337	18 898
Total liabilities	149 403	213 321	243 273
Shareholders' equity	18 508	25 299	28 146
Non-controlling interests			
Total equity	18 508	25 299	28 146
Earnings/losses per share in USD	5.98	10.75	9.94
Earnings/losses per share in CHF	7.44	13.49	11.95

¹ Trading revenues are included in net investment income; long-term debt also includes debt positions from former Financial Markets.

² The Group changed its reporting currency from CHF into USD in 2010. Periods prior to 2010 have been translated to USD for informational purposes only based on the Group's average exchange rates for the income statements and year-end rates for the balance sheets.

³ The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

2008 ^{1,2}	2009 ^{1,2}	2010 ¹	2011 ¹	2012 ^{1,3}	2013 ¹	2014
23 577	22 664	19 652	21 300	24 661	28 276	30 756
746	847	918	876	785	542	506
7 331	6 399	5 422	5 469	5 302	4 735	4 992
-8 677	875	2 783	388	2 688	3 325	1 059
249	178	60	50	188	24	34
23 226	30 963	28 835	28 083	33 624	36 902	37 347
-9 222	-8 336	-7 254	-8 810	-7 763	-9 655	-10 577
-8 381	-8 639	-8 236	-8 414	-8 878	-9 581	-10 611
2 611	-4 597	-3 371	-61	-2 959	-3 678	-1 541
-4 950	-4 495	-3 679	-4 021	-4 548	-4 895	-6 515
-4 358	-3 976	-3 620	-3 902	-3 953	-4 268	-3 876
-24 300	-30 043	-26 160	-25 208	-28 101	-32 077	-33 120
-1 074	920	2 675	2 875	5 523	4 825	4 227
411	-221	-541	-77	-1 125	-312	-658
-663	699	2 134	2 798	4 398	4 513	3 569
		-154	-172	-141	-2	0
-663	699	1 980	2 626	4 257	4 511	3 569
	-203	-1 117	0	-56	-67	-69
-663	496	863	2 626	4 201	4 444	3 500
154 053	151 341	156 947	162 224	152 812	150 075	143 987
71 322	81 407	71 456	63 675	68 691	63 445	60 474
225 375	232 748	228 403	225 899	221 503	213 520	204 461
70 944	68 412	64 690	64 878	63 670	61 484	57 954
37 497	39 944	39 551	39 044	36 117	36 033	33 605
7 330	6 528	6 305	8 299	9 384	10 334	10 576
73 366	73 336	72 524	65 850	62 020	57 970	53 670
17 018	19 184	18 427	16 541	16 286	14 722	12 615
206 155	207 404	201 497	194 612	187 477	180 543	168 420
19 220	25 344	25 342	29 590	34 002	32 952	35 930
		1 564	1 697	24	25	111
19 220	25 344	26 906	31 287	34 026	32 977	36 041
-2.00	1.46	2.52	7.68	11.85	12.97	10.23
-2.61	1.49	2.64	6.79	11.13	12.04	9.33

Annual Report Swiss Re Ltd

Swiss Re Ltd (the Company), domiciled in Zurich, Switzerland, is the ultimate holding company of the Swiss Re Group. Its principal activity is the holding of investments in Swiss Re Group companies.

Income statement

Net income for 2014 amounted to CHF 4 110 million (2013: CHF 2 707 million) and was mostly driven by cash dividends from subsidiaries and affiliated companies of CHF 3 964 million.

The Company earned trademark license fees of CHF 306 million and incurred administrative expenses of CHF 142 million, of which CHF 139 million were charges for services provided by Swiss Reinsurance Company Ltd. In addition, the Company reported incurred other expenses of CHF 16 million, comprising net realised foreign exchange losses of CHF 11 million and capital and indirect taxes of CHF 5 million.

Assets

Total assets increased from CHF 20 116 million as of 31 December 2013 to CHF 21 799 million as of 31 December 2014.

Investments in subsidiaries and affiliated companies increased from CHF 17 117 million as of 31 December 2013 to CHF 17 340 million as of 31 December 2014 due to a capital contribution made to a subsidiary of Swiss Re Principal Investments Company Ltd, mainly funded by sales of short-term investments.

As of 31 December 2014, the Company held short-term loans of CHF 3 250 million (2013: CHF 1 774 million) granted to Swiss Reinsurance Company Ltd. The increase was related to cash dividends received by the Company from its subsidiaries. In addition, own shares increased by CHF 215 million to CHF 956 million as of 31 December 2014 which was mainly due to the purchases of own shares previously held by Swiss Reinsurance Company Ltd. The own shares are used for share based compensation programs within the Swiss Re Group.

Liabilities

Total liabilities increased from CHF 26 million as of 31 December 2013 to CHF 340 million as of 31 December 2014, mainly due to the increase of the provision for currency fluctuation, which was driven by unrealised foreign exchange gains.

Shareholders' equity

Shareholders' equity increased from CHF 20 090 million as of 31 December 2013 to CHF 21 459 million as of 31 December 2014, mainly due to net income for 2014 of CHF 4 110 million, mostly offset by dividends to shareholders of CHF 2 741 million.

Legal reserves from capital contributions decreased from CHF 5 423 million as of 31 December 2013 to CHF 2 682 million as of 31 December 2014, reflecting the payment of dividends to shareholders of CHF 2 741 million.

Income statement Swiss Re Ltd

For the years ended 31 December

CHF millions	Notes	2013	2014
Revenues			
Investment income	2	3 521	3 974
Trademark license fees		284	306
Other revenues		0	0
Total revenues		3 805	4 280
Expenses			
Administrative expenses	3	-174	-142
Investment expenses	2	-806	0
Other expenses		-117	-16
Total expenses		-1 097	-158
Income before income tax expense		2 708	4 122
Income tax expense		-1	-12
Net income		2 707	4 110

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Balance sheet Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2013	2014
Current assets			
Cash and cash equivalents		66	30
Short-term investments	4	364	159
Loans to subsidiaries and affiliated companies		1 774	3 250
Receivables from subsidiaries and affiliated companies		53	64
Other receivables and accrued income		1	0
Total current assets		2 258	3 503
Non-current assets			
Investments in subsidiaries and affiliated companies	5	17 117	17 340
Own shares	6	741	956
Total non-current assets		17 858	18 296
Total assets		20 116	21 799

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Liabilities and shareholders' equity

CHF millions	Notes	2013	2014
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		7	–
Other liabilities and accrued expenses		14	0
Total short-term liabilities		21	0
Long-term liabilities			
Provisions		5	340
Total long-term liabilities		5	340
Total liabilities		26	340
Shareholders' equity			
	7		
Share capital	8, 9	37	37
Other legal reserves		8 238	8 040
Reserve for own shares		948	1 146
Legal reserves from capital contributions	10	5 423	2 682
Other reserves		2 730	5 440
Retained earnings brought forward		7	4
Net income for the financial year		2 707	4 110
Total shareholders' equity		20 090	21 459
Total liabilities and shareholders' equity		20 116	21 799

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Notes Swiss Re Ltd

1 Significant accounting principles

Basis of presentation

On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revisions of the Swiss Code of Obligations. Based on the transitional provisions, the new provisions have to be implemented for annual accounts from the 2015 financial year onwards, at the latest. The Swiss Re Ltd's financial statements 2014 have still been prepared based on the accounting provisions of the Swiss Code of Obligations in effect until 31 December 2012.

Time period

The financial year 2014 comprises the accounting period from 1 January 2014 to 31 December 2014.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money-market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Short-term investments

Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/Other receivables

These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Accrued income

Accrued income includes other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but which are receivable in a subsequent financial year.

Investments in subsidiaries and affiliated companies

These assets are carried at cost, less necessary and legally permissible depreciation.

Own shares

Own shares are carried at cost, less necessary and legally permissible depreciation.

Loans to subsidiaries and affiliated companies

Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Payables to subsidiaries and affiliated companies/Other liabilities

These liabilities are carried at nominal value.

Accrued expenses

Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but which are payable in a subsequent financial year.

Provisions

The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

Foreign exchange transaction gains and losses

Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported in other expenses or other income, respectively.

Dividends from subsidiaries and affiliated companies

Dividends from subsidiaries and affiliated companies are recognised as revenue in the year in which they are declared.

Capital and indirect taxes

Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense

As a holding company incorporated in Switzerland, Swiss Re Ltd is exempt from income taxation at cantonal/communal level. On federal level, dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief). However, income tax is payable on trademark license fees charged to certain subsidiaries and affiliated companies.

2 Investment income and expenses

CHF millions	2013	2014
Cash dividends from subsidiaries and affiliated companies	2 641	3 964
Dividends in-kind from subsidiaries and affiliated companies	805	–
Realised gains on sale of investments	61	1
Income from short-term investments	0	0
Income from loans to subsidiaries and affiliated companies	13	9
Investment management income	1	0
Other interest revenues	0	0
Investment income	3 521	3 974

CHF millions	2013	2014
Valuation adjustments on investments in subsidiaries and affiliated companies	–805	–
Realised losses on sale of investments	0	0
Investment management expenses	–1	0
Other interest expenses	0	0
Investment expenses	–806	0

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2014, securities of CHF 117 million were lent to Group companies under securities lending agreements, whereas in 2013 securities of CHF 334 million were lent to Group companies. As of 31 December 2014 and 2013, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2014 and 2013, Swiss Re Ltd held the following investments in subsidiaries and affiliated companies:

As of 31 December 2014	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%	CHF 34.4 million
Swiss Re Corporate Solutions Ltd	Zurich	100%	CHF 100.0 million
Swiss Re Life Capital Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Investments Holding Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Principal Investments Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

As of 31 December 2013	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%	CHF 34.4 million
Swiss Re Corporate Solutions Ltd	Zurich	100%	CHF 100.0 million
Swiss Re Life Capital Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Investments Holding Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Principal Investments Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

6 Own shares

As of 31 December 2014, Swiss Re Ltd and its subsidiaries held 28 508 013 (2013: 28 512 910) of Swiss Re Ltd's own shares, of which Swiss Re Ltd owned directly 28 395 225 (2013: 25 685 817) shares.

In the year under report, 4 348 768 (2013: 5 998 405) own shares were purchased at an average price of CHF 74.66 (2013: CHF 78.85) and 4 352 775 (2013: 5 044 780) own shares were sold at an average price of CHF 79.99 (2013: CHF 72.95).

7 Change in shareholders' equity

CHF millions	2013	2014
Opening balance of shareholders' equity	19 954	20 090
Dividend payments for the previous year	-2 571	-2 741 ¹
Net income for the financial year	2 707	4 110
Shareholders' equity as of 31 December before proposed dividend payments	20 090	21 459
Proposed dividend payments	-2 738	-2 481 ²
Shareholders' equity as of 31 December after proposed dividend payments	17 352	18 978

¹ Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2013, the number of registered shares eligible for dividend, at the dividend payment date of 22 April 2014, increased due to the transfer of 447 213 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 3 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.

² Details on the proposed dividend payments for the financial year 2014 are disclosed on page 256.

8 Major shareholders

As of 31 December 2014, there were three shareholders with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholders	Number of shares	% of voting rights and share capital ¹	Creation of the obligation to notify
Franklin Resources, Inc.	11 399 387	3.08	18 August 2014
Warren E. Buffett/Berkshire Hathaway Inc.	11 262 000	3.10	10 June 2011
BlackRock, Inc. ²	11 134 246	3.09	26 September 2011

¹ The percentage of voting rights is calculated at the date the obligation was created and notified.

² BlackRock, Inc. notified on 13 January 2015 that it holds directly and indirectly through a number of its Group companies, in the capacity of investment manager for funds and clients 18 586 701 registered shares of Swiss Re Ltd, corresponding to 5.01% of the voting rights in Swiss Re Ltd. In addition to the number of registered shares held, BlackRock, Inc. reported contracts for difference conferring a total of 51 283 voting rights in Swiss Re Ltd. This corresponds to 0.02% of the voting rights in Swiss Re Ltd which can be exercised autonomously of the beneficial owners. The total notified holding amounts to 5.03% of the voting rights in Swiss Re Ltd.

In addition, Swiss Re Ltd held, as of 31 December 2014, directly and indirectly 28 508 013 (2013: 28 512 910) own shares, representing 7.69% (2013: 7.69%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

9 Conditional capital and authorised capital

As of 31 December 2014, Swiss Re Ltd had the following conditional capital and authorised capital:

Conditional capital for Equity-Linked Financing Instruments

The share capital of the Company shall be increased by an amount not exceeding CHF 5 000 000 through the issuance of a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, through the voluntary or mandatory exercise of conversion and/or option rights granted in connection with bonds or similar instruments including loans or other financial instruments by the Company or Group companies (hereinafter collectively the "Equity-Linked Financing Instruments"). Existing shareholders' subscription rights are excluded.

Authorised capital

The Board of Directors is authorised to increase the share capital of the Company at any time up to 10 April 2015 by an amount not exceeding CHF 8 500 000 through the issuance of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non exercised subscription rights will be determined by the Board of Directors.

With respect to a maximum of CHF 5 000 000 through the issuance of up to 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital referred to above, the subscription rights of shareholders may not be excluded.

With respect to a maximum of CHF 3 500 000 through the issuance of up to 35 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital referred to above, the Board of Directors may exclude or restrict the subscription rights of the existing shareholders for the use of shares in connection with (i) mergers, acquisitions (including take-over) of companies, parts of companies or holdings, equity stakes (participations) or new investments planned by the Company and/or Group companies, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities, and/or (ii) improving the regulatory capital position of the Company or Group companies in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so (including by way of private placements).

Joint provision for conditional capital for Equity-Linked Financing Instruments and for the above-mentioned authorised capital

The total of registered shares issued from the authorised capital, where the existing shareholders' subscription rights were excluded, and from the shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 74 000 000 registered shares up to 10 April 2015.

10 Legal reserves from capital contributions

CHF millions	2013	2014
Opening balance of legal reserves from capital contributions	7 994	5 423
Reclassification to other reserves for dividend payments	-2 571	-2 741
Legal reserves from capital contributions as of 31 December	5 423	2 682
<i>thereof confirmed by the Swiss Federal Tax Administration¹</i>	<i>5 231</i>	<i>2 490</i>

¹ Under current Swiss tax legislation, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

11 Release of undisclosed reserves

In the year under report, undisclosed reserves on investments or on provisions were released by a net amount of CHF 426 million (2013: CHF 16 million).

12 Risk assessment

Article 663b sub-para. 12 of the Swiss Code of Obligations requires disclosure of information on the performance of a risk assessment.

The identification, assessment and control of risk exposures of Swiss Re Ltd on a stand-alone basis are integrated in and covered by Swiss Re's Group risk management organisation and processes.

Details are disclosed on page 238.

13 Share ownership, options and related instruments of governing bodies

The section below is in line with article 663c para. 3 of the Swiss Code of Obligations, which requires disclosure of shareholdings, options and related instruments held by Swiss Re's members of the Board of Directors and Group Executive Committee (Group EC). Further disclosures in respect of management compensation, as well as to closely related persons, are detailed in the Compensation Report on pages 138–143 of the Financial Report of the Swiss Re Group.

Share ownership

The number of shares held as of 31 December were:

Members of the Group EC	2013	2014
Michel M. Liès, Group CEO	171 947	187 690
David Cole, Group Chief Financial Officer ¹		28 755
John Dacey, Group Chief Strategy Officer, Chairman Admin Re®		45
Guido Fürer, Group Chief Investment Officer	21 253	32 315
Agostino Galvagni, CEO Corporate Solutions	108 060	64 860
Jean-Jacques Henchoz, CEO Reinsurance EMEA	16 335	38 280
Christian Mumenthaler, CEO Reinsurance	50 984	40 000
Moses Ojeisekhoba, CEO Reinsurance Asia	8 583	14 369
George Quinn, former Group Chief Financial Officer ²	96 506	n/a
Matthias Weber, Group Chief Underwriting Officer	38 592	57 649
Thomas Wellauer, Group Chief Operating Officer	17 708	75 973
Total	529 968	539 936

¹ Appointed as Group Chief Financial Officer as of 1 May 2014.

² Member of the Group EC until 30 April 2014.

Members of the Board of Directors	2013	2014
Walter B. Kielholz, Chairman	399 490	425 710
Mathis Cabiallavetta, Vice Chairman	109 177	92 287
Renato Fassbind, Vice Chairman	7 655	11 889
Jakob Baer, former Member and Chairman of the Audit Committee ¹	44 699	n/a
Raymund Breu, Member	36 024	37 764
Raymond K.F. Ch'ien, Member	15 048	16 921
John R. Coomber, former Member ¹	140 200	n/a
Mary Francis, Member	1 027	2 791
Rajna Gibson Brandon, Member	26 047	27 787
C. Robert Henrikson, Chairman of the Compensation Committee	4 339	6 808
Malcolm D. Knight, former Member ¹	7 665	n/a
Hans Ulrich Maerki, Member	25 594	27 431
Carlos E. Represas, Member	8 900	10 372
Jean-Pierre Roth, Member	6 762	8 234
Susan L. Wagner, Member ²	n/a	1 267
Total	832 627	669 261

¹ Term of office expired as of 11 April 2014 and did not stand for re-election.

² Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

Restricted shares

Swiss Re grants restricted share units on an ad hoc basis that are subject to a vesting period with a risk of forfeiture during the vesting period.

The following unvested restricted shares were held by members of the Group EC as of 31 December:

Members of the Group EC	2013	2014
Weighted average share price in CHF as of grant date	53.10	
Moses Ojeisekhoba, CEO Reinsurance Asia	5 693	
Total	5 693	0

For the years ended 31 December 2013 and 2014, the members of the Board of Directors did not hold any restricted shares.

Vested options

The following vested options were held by members of Group governing bodies as of 31 December:

Members of the Group EC	2013	Number of options 2014
Weighted average strike price in CHF	83.92	74.34
Michel M. Liès, Group CEO	42 000	15 000
Guido Fürer, Group Chief Investment Officer	7 500	
George Quinn, former Group Chief Financial Officer ¹	20 000	n/a
Matthias Weber, Group Chief Underwriting Officer	7 000	3 500
Total	76 500	18 500

¹ Member of the Group EC until 30 April 2014.

Members of the Board of Directors	2013	Number of options 2014
Weighted average strike price in CHF	83.04	74.34
Walter B. Kielholz, Chairman	40 000	20 000
John R. Coomber, former Member ¹	130 000	n/a
Total	170 000	20 000

¹ Term of office expired as of 11 April 2014 and did not stand for re-election.

The vested options held by members of Group governing bodies as of 31 December 2014 will expire in 2015. The underlying strike price for the outstanding option series has been adjusted for special dividend payouts. The stock options shown in the table above for the members of the Board of Directors were awarded at a time when the recipients were still members of Swiss Re's executive management.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 21 April 2015 to approve the following allocations and dividend payments:

CHF millions	2013	2014
Retained earnings brought forward	7	4
Net income for the financial year	2 707	4 110
Disposable profit	2 714	4 114
Allocation to other reserves	-2 710	-4 110
Retained earnings after allocation	4	4

CHF millions	2013	2014
Other reserves brought forward	2 730	5 440
Allocation from retained earnings	2 710	4 110
Reclassification of legal reserves from capital contributions into other reserves	2 738 ¹	2 481 ²
Regular dividend payment out of other reserves	-1 318 ¹	-1 454 ²
Special dividend payment out of other reserves	-1 420 ¹	-1 027 ²
Other reserves after allocations and dividend payments	5 440	9 550

¹ Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2013, the number of registered shares eligible for dividend, at the dividend payment date of 22 April 2014, increased due to the transfer of 447 213 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 3 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.

² The Board of Directors' proposal to the Annual General Meeting of 21 April 2015, is subject to the actual number of shares outstanding and eligible for dividend.

Dividends

If the Board of Directors' proposal for allocations and dividend payments is accepted, a regular dividend of CHF 4.25 per share and an additional special dividend of CHF 3.00 per share will be paid on 27 April 2015 from other reserves after prior reclassification of legal reserves from capital contributions.

Share structure per 31 December 2014	Number of registered shares	Nominal capital in CHF
eligible for dividend ¹	342 199 440	34 219 944
not eligible for dividend	28 507 491	2 850 749
Total shares issued	370 706 931	37 070 693

¹ The Board of Directors' proposal to the Annual General Meeting of 21 April 2015, is subject to the actual number of shares outstanding and eligible for dividend.

Zurich, 17 March 2015

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Re Ltd, which comprise the income statement, balance sheet and notes (pages 245 to 255), for the year ended 31 December 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Alex Finn
Audit expert
Auditor in charge



Bret Griffin

Zurich, 17 March 2015

General information

Headquartered in Zurich, Switzerland, Swiss Re has operations across the globe. Our corporate structure allows us to sharpen our client focus, improve transparency and accountability, increase capital efficiency and operate with greater flexibility.

Glossary	260
Cautionary note on forward-looking statements	266
Note on risk factors	268
Contacts	276
Corporate calendar	277

Glossary

Acquisition costs	That portion of an insurance premium which represents the cost of obtaining the insurance business: it includes the intermediaries' commission, the company's sales expense and other related expenses.
Admin Re®	Business Unit through which Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies.
Asset-backed security	Securities backed by notes or receivables against assets such as auto loans, credit cards, royalties, student loans and insurance.
Asset-liability management (ALM)	Management of a business in a way that coordinates decisions on assets and liabilities. Specifically, the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities in an attempt to achieve financial objectives for a given set of risk tolerances and constraints.
Aviation insurance	Insurance of accident and liability risks, as well as hull damage, connected with the operation of aircraft.
Book value per share	The ratio of ordinary shareholders' equity to the number of common shares entitled to dividend.
Business interruption	Insurance covering the loss of earnings resulting from, and occurring after, destruction of property; also known as "loss of profits" or "business income protection insurance".
Capacity	Maximum amount of risk that can be accepted in insurance. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.
Casualty insurance	Branch of insurance – mainly comprising accident and liability business – which is separate from property, engineering and life insurance.
Catastrophe bonds	Risk-based securities that allow insurance and reinsurance companies to transfer peak insurance risks, including natural catastrophes, to institutional investors in the form of bonds. Catastrophe bonds help to spread peak exposures (see insurance-linked securities).
Cession	Insurance that is reinsured: the passing of the insurer's risks to the reinsurer against payment of a premium. The insurer is referred to as the ceding company or cedent.
Claim	Demand by an insured for indemnity under an insurance contract.
Claims handling	Activities in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.
Claims incurred and claim adjustment expenses	All claims payments plus the adjustment in the outstanding claims provision of a business year and claim adjustment expenses.
Claims ratio	Sum of claims paid, change in the provisions for unpaid claims and claim adjustment expenses in relation to premiums earned.

Coinsurance	Arrangement by which a number of insurers and/or reinsurers share a risk.
Combined ratio	The ratio is a combination of the non-life claims ratio and the expense ratio.
Commission	Remuneration paid by the insurer to its agents, brokers or intermediaries, or by the reinsurer to the insurer, for costs in connection with the acquisition and administration of insurance business.
Commutation	The termination of a reinsurance contract by agreement of the parties on the basis of one or more lump sum payments by the reinsurer which extinguish its liability under the contract. The payment made by the reinsurer commonly relates to incurred losses under the contract.
Cover	Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.
Credit insurance	Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.
Credit spreads	Applies to derivative products. Difference in the value of two options, when the value of the one sold exceeds the value of the one bought.
Directors' and officers' liability insurance (D&O)	Liability insurance for directors and officers of an entity, providing cover for their personal legal liability towards shareholders, creditors, employees and others arising from wrongful acts such as errors and omissions.
Disability insurance	Insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.
Earnings per share (EPS)	Portion of a company's profit allocated to each outstanding share of common stock. Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.
Expense ratio	Sum of acquisition costs and other operating costs and expenses, in relation to premiums earned.
Guaranteed minimum death benefit (GMDB)	A feature of variable annuity business. The benefit is a predetermined minimum amount that the beneficiary will receive upon the death of the insured.
G-SIIs	Globally Systemically Important Insurers.
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.
Incurred but not reported (IBNR)	Provision for claims incurred but not reported by the balance sheet date. In other words, it is anticipated that an event will affect a number of policies, although no claims have been made so far, and is therefore likely to result in liability for the insurer.

Insurance-linked securities (ILS)	Bonds for which the payment of interest and/or principal depends on the occurrence or severity of an insurance event. The underlying risk of the bond is a peak or volume insurance risk.
Layer	Section of cover in a non-proportional reinsurance programme in which total coverage is divided into a number of consecutive layers starting at the retention or attachment point of the ceding company up to the maximum limit of indemnity. Individual layers may be placed with different insurers or reinsurers.
Liability insurance	Insurance for damages that a policyholder is obliged to pay because of bodily injury or property damage caused to another person or entity based on negligence, strict liability or contractual liability.
Life insurance	Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.
Longevity risk	The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally accounted for.
Marine insurance	Line of insurance which includes coverage for property in transit (cargo), means of transportation (except aircraft and motor vehicles), offshore installations and valuables, as well as liabilities associated with marine risks and professions.
Mark-to-market	Adjustment of the book value or collateral value of a security, portfolio or account that reflects its current market value.
Motor insurance	Line of insurance which offers coverage for property, accident and liability losses involving motor vehicles.
Net reinsurance assets	Receivables related to deposit accounting contracts (contracts which do not meet risk transfer requirements) less payables related to deposit contracts.
Non-life insurance	All classes of insurance business excluding life insurance.
Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss; instead the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".
Operating margin ratio	The operating margin is calculated as operating result divided by total operating revenues. The operating result is before interest expenses, taxes and net realised gains/losses.
Operating revenues	Premiums earned plus net investment income plus other revenues.
Operational risk	Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.

Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.
Principal Investments and Acquisitions	Principal Investments and Acquisitions is a unit of Swiss Re that manages all strategic acquisition activities of the Group as well as a portfolio of minority holdings in primarily insurance and insurance-related businesses with the goal of generating long-term value.
Product liability insurance	Insurance covering the liability of the manufacturer or supplier of goods for damage caused by their products.
Professional indemnity insurance	Liability insurance cover which protects professional specialists such as physicians, architects, engineers, lawyers, accountants and others against third-party claims arising from activities in their professional field; policies and conditions vary according to profession.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
Present value of future profits (PVFP)	Intangible asset primarily arising from the purchase of life and health insurance companies or portfolios.
Quota share reinsurance	Form of proportional reinsurance in which a defined percentage of the premiums earned and the claims incurred by the cedent in a specific line is reinsured for a given period. Quota share reinsurance arrangements represent a sharing of business in a fixed ratio or proportion.
Reinsurance	Insurance which lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retention	Amount of risk which the policyholder or insurer does not insure or reinsure but keeps for its own account.
Retrocession	Amount of the risk accepted by the reinsurer which is then passed on to other reinsurance companies.
Return on equity	Net income as a percentage of time-weighted shareholders' equity.

Return on investments	Operating income as a percentage of average invested assets. Invested assets include investments, cash and cash equivalents, securities in transit, financial liabilities and exclude policy loans and certain Group items.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.
Risk management	Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.
Running yield	Net investment income on fixed income positions, including coupon income and amortisation, as a percentage of the cost of the securities.
Securitisation	Financial transaction in which future cash flows from assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.
Solvency II	New regulatory framework for EU re/insurance solvency rules scheduled to replace the current Solvency I regime. Introducing a comprehensive, economic and risk-based regulation, Solvency II includes prudential requirements on solvency capital, risk modelling, supervisory control and disclosure.
Stop-loss reinsurance	Form of reinsurance that protects the ceding insurer against an aggregate amount of claims over a period, in excess of either a stated amount or a specified percentage of estimated benefit costs. An example of this is employer stop-loss (ESL) coverage, which is used by US companies to cap losses on self-funded group health benefit programmes. The stop-loss can apply to specific conditions or aggregate losses.
Surety insurance	Sureties and guarantees issued to third parties for the fulfilment of contractual liabilities.
Surplus reinsurance	Form of proportional reinsurance in which risks are reinsured above a specified amount.
Swiss Solvency Test (SST)	Switzerland already introduced an economic and risk-based insurance regulation, similar to the objectives of the Solvency II project in the EU. Since 2008, all insurance and reinsurance companies writing business in Switzerland have had to implement the SST, and since 1 January 2011, the SST-based target capital requirement is in force and companies must achieve economic solvency.
Tail VaR	See "Value at risk".
Top-down investment strategy approach	The investment strategy process analyses trends in the general economy (inflation, jobless rate, GDP etc) and their relation with financial markets to assess the overall financial market outlook as well as their implications for a given sector.
Total return on investments	Operating income plus net unrealised gains/losses on available-for-sale securities as a percentage of average invested assets. Invested assets include investments, cash

and cash equivalents, securities in transit, financial liabilities and exclude policy loans and certain Group items.

Treaty reinsurance	Participation of the reinsurer in certain sections of the insurer's business as agreed by treaty, as opposed to single risks.
Underwriting result	Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).
Unearned premium	Part of written premium (paid or owed) which relates to future coverage and for which services have not yet been provided; this is carried in an unearned premium reserve and may be refundable if the contract is cancelled before expiry.
Unit-linked policy	A life insurance contract which provides policyholder funds which are linked to an underlying investment product or fund. The performance of the policyholder funds is borne by the policyholder.
US GAAP	United States Generally Accepted Accounting Principles are the accounting rules, as issued by the Financial Accounting Standards Board (FASB), its predecessors and other bodies, used to prepare financial statements for publicly traded companies in the United States.
Value at risk (VaR)	Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% VaR measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred. 99% tail VaR estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.
With-profit policy	An insurance contract that has additional amounts added to the sum insured, or paid/credited separately to the policyholder as a bonus, which result from a share of the profit generated by the with-profits insurance funds, including these funds' interests in other blocks of business.

Some of the terms included in the glossary are explained in more detail in Note 1 to the Group financial statements.

Swiss Re uses some of the term definitions provided by the glossary of the International Association of Insurance Supervisors (IAIS).

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase” and “may fluctuate” and similar expressions or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re’s actual results of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets.

Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re’s investment assets;
- changes in Swiss Re’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re’s hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;

-
- the frequency, severity and development of insured claim events;
 - acts of terrorism and acts of war;
 - mortality, morbidity and longevity experience;
 - policy renewal and lapse rates;
 - extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
 - current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
 - legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
 - changes in accounting standards;
 - significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
 - changing levels of competition; and
 - operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

Note on risk factors

General impact of adverse market conditions

Pessimistic global growth forecasts, particularly in respect of Europe, and heightened volatility due to the constraints inherent in current monetary policies of the world's principal central banks, among other factors, highlight the continued uncertainties around the post-crisis recovery and the risks that the world economy continues to face, notwithstanding positive macro-economic trends in the United States. The International Monetary Fund recently reduced its forecast for global economic growth and reports that the risk of a recession and deflation in the Eurozone has risen sharply. In the European Union, it remains unclear whether proposals for a single resolution mechanism and other components of a banking union in the European Union, as well as actions of the European Central Bank, will create the conditions necessary for increased bank lending and greater economic growth. Uncertainty around economic growth could be compounded by domestic political considerations in various EU member states.

Countries in emerging market regions in Asia and Latin America recently have experienced deceleration in GDP growth. Policy uncertainty and volatile, negative or uncertain economic conditions in developed markets could also adversely impact economies in Asia and Latin America, undermining business confidence. Periods of economic upheaval could also result in sudden government actions such as imposition of capital, price or currency controls, or changes in legal and regulatory requirements.

Political or geopolitical developments, and international responses thereto, also can have an adverse impact on global financial markets and economic conditions.

Further adverse developments or the continuation of adverse trends that in turn have a negative impact on financial markets and economic conditions could limit the ability of Swiss Re Ltd ("Swiss Re") and its subsidiaries (collectively, the "Group") to access the capital markets and bank funding markets, and could adversely affect the ability of counterparties to meet their obligations. Any such developments and trends could also have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on overall results.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment and are subject to group supervision. Swiss Re's subsidiaries are subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. New legislation as well as changes to existing legislation have been proposed and/or recently adopted in a number of jurisdictions that are expected to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law and when and how new legislation ultimately will be implemented by regulators (including in respect of the extraterritorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These may include changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, increased regulatory capital requirements, enhanced governmental authority to take control over operations of financial institutions, restrictions on the conduct of certain lines of business, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions.

Although early regulatory efforts following the credit crisis in 2008 were focused primarily on banking institutions, there has been a noticeable trend in recent years to extend the scope of reforms and oversight beyond such institutions to cover insurance and reinsurance operations. Legislative initiatives directly impacting the Group's industry include the establishment of a pan-European regulator for insurance companies, the European Insurance and Occupational Pension Authority (the "EIOPA"), which has the power to overrule national regulators in certain circumstances. In addition, the Group is subject to the Swiss Solvency Test, and will be subject to Solvency II, which will enter into force on 1 January 2016. The Group is also monitoring the proposed Swiss Federal Act on Financial Market Infrastructure (which will introduce new regulations for over-the-counter derivatives trading in line with international standards) and the proposed Swiss Federal Financial Services Act and Financial Institutions Act (which contain rules for financial services providers that are based on the EU Markets in Financial Instruments Directive ("MiFID") regulations). In the United States, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury. In addition, provisions of the Wall Street Reform and Consumer Protection Act of 2010, as well as provisions in the proposed European Market Infrastructure Regulation and proposed changes to MiFID, in respect of derivatives could have a significant impact on the Group.

Other changes are focused principally on banking institutions, but some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on the Group. Changes are particularly likely to impact financial institutions designated as "systemically important," a designation which is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms.

There is an emerging focus on classifying certain insurance companies as systemically important as well. The Group could be designated as a global systemically important financial institution (SIFI) under the framework for systemically important financial institutions developed by the Financial Stability Board, or as a systemically important non-bank financial company by the Financial Stability Oversight Council (the FSOC) in the United States. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, published a methodology for identifying global systemically important insurers ("G-SIIs") and on a framework for supervision of internationally active insurance groups. Initial designation of insurers as G-SIIs took place in July 2013, and initial designation of reinsurers as G-SIIs has been postponed pending further development of the methodology due by November 2015, to be applied in 2016. If and when reinsurers are included in the list of G-SIIs, the Group could be so designated. Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, once implemented, including capital standards under both regimes (the Basic Capital Requirement for G-SIIs and the Insurance Capital Standard for Internationally Active Insurance Groups ("IAIGs")). In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

Significant policy decisions on a range of regulatory changes that could affect the Group and its operations remain undecided. The Group cannot predict which legislative and regulatory initiatives ultimately will be enacted or promulgated, what the scope and

content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. Certain of these initiatives could have a material impact on the Group's business.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business, reduce access to liquidity, limit the scope of business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Market risk

Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has discontinued writing new variable annuity business and has an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks – including possible mismatch – that in turn can lead to reinvestment risk. The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Credit risk

If the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience further losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could also face further write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could once again face difficulties in valuing credit-related instruments. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and are expected to monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include obligations arising in its reinsurance business (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities. The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange rates and credit spreads; or by perceptions among market participants of the extent of the Group's liquidity needs.

The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral posting or defaults,

and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks

The Group is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Securities trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could have a material adverse effect on the Group.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies, and market conditions could increase the risk of downgrade. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of its ratings could be downgraded or withdrawn in the future. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could make it more difficult for the Group to achieve improved ratings which it would otherwise have expected.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe.

Legal and regulatory risks

In the ordinary course of business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which determine rights and obligations under insurance, reinsurance and other contractual

agreements. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and the Group may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with ceding companies, disputes with parties to which the Group transfers risk under reinsurance arrangements, disputes with other counterparties or other matters. The Group cannot predict the outcome of any of the foregoing, which could be material for the Group.

The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of alternative capacity); cyclicalities of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing, as well as other concerns in respect of the Group's business, could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary

estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters. Changes in accounting standards could impact future reported results or require restatement of past reported results.

The Group uses non-GAAP financial measures in its external reporting, including in this report. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as a substitute for measures prepared in accordance with US GAAP. Moreover, these may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

Risks related to the Swiss Re corporate structure

Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries.

This page intentionally left blank

Contacts

Swiss Re has about 70 office locations in more than 30 countries. For a full list of our office locations and service offerings, please visit www.swissre.com.

Head office

Swiss Re Ltd
Mythenquai 50/60, P.O. Box,
8022 Zurich, Switzerland
Telephone +41 43 285 2121

Americas

Armonk
175 King Street
Armonk, New York 10504
Telephone +1 914 828 8000

Overland Park
5200 Metcalf Avenue
Overland Park, KS 66202
Telephone +1 913 676 5200

New York
55 East 52nd Street
New York, NY 10055
Telephone +1 212 317 5400

Toronto
150 King Street West
Toronto, Ontario M5H 1J9
Telephone +1 416 408 0272

Mexico City
Insurgentes Sur 1898, Piso 8
Torre Siglum
Colonia Florida
México, D.F. 01030
Telephone +52 55 5322 8400

Westlake Village
112 Lakeview Canyon Road, Suite 220
Westlake Village, CA 91362
Telephone +1 805 728 8300

São Paulo
Avenida Paulista, 500
Bela Vista
São Paulo, SP 01310-000
Telephone +55 11 3073 8000

Europe (incl. Middle East and Africa)

Zurich
Mythenquai 50/60
8022 Zurich
Telephone +41 43 285 2121

London
30 St Mary Axe
London
EC3A 8EP
Telephone +44 20 7933 3000

Munich
Arabellastraße 30
81925 München
Telephone +49 89 3844-0

Cape Town
2nd Floor
Beechwood House
The Boulevard
Searle Street
Cape Town, 7925
Telephone +27 21 469 8400

Madrid
Paseo de la Castellana, 95
Edificio Torre Europa
28046 Madrid
Telephone +34 91 598 1726

Paris
11–15, rue Saint-Georges
75009 Paris
Telephone +33 1 43 18 30 00

Rome
Via dei Giuochi Istmici, 40
00135 Rome
Telephone +39 06 323931

Investor Relations

Telephone +41 43 285 4444
Fax +41 43 282 4444
investor_relations@swissre.com

Media Relations

Telephone +41 43 285 7171
Fax +41 43 282 7171
media_relations@swissre.com

Share Register

Telephone +41 43 285 6810
Fax +41 43 282 6810
share_register@swissre.com

Asia-Pacific

Hong Kong
61/F Central Plaza
18 Harbour Road
G.P.O. Box 2221
Wanchai, HK
Telephone +852 2827 4345

Sydney
Level 29, 363 George Street
Sydney NSW 2000
Telephone +61 2 8295 9500

Singapore
Asia Square Tower 2
12 Marina View
Singapore 018961
Telephone +65 6532 2161

Beijing
23rd Floor, East Tower, Twin Towers,
No. B12, Jian Guo Men Wai Avenue
Chao Yang District
Beijing 100022
Telephone +86 10 6563 8888

Tokyo
Otemachi First Square 9F
5–1 Otemachi 1 chome
Chiyoda-ku
Tokyo 100-0004
Telephone +81 3 5219 7800

Mumbai
Unit 701–702, 7th Floor Tower 'A'
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Telephone +91 22 6661 2121

Corporate calendar

21 April 2015

151st Annual General Meeting

30 April 2015

First quarter 2015 results

30 July 2015

Second quarter 2015 results

29 October 2015

Third quarter 2015 results

8 December 2015

Investors' Day in Rüslikon

©2015 Swiss Re. All rights reserved.

Title:
2014 Financial Report

Design:
MerchantCantos, London
Swiss Re Corporate Real Estate & Logistics/
Media Production, Zurich

Photography:
Geri Krischker
Cover image provided by Getty Images

Printing:
Multicolor Print, Baar

printed in
switzerland



This report is printed on sustainably produced paper and climate neutral. The wood used comes from forests certified to 100% by the Forest Stewardship Council (FSC).

Original version in English.

The 2014 Annual Report is also available in German. The web version of the 2014 Annual Report is available at: reports.swissre.com
3/15 Order no: 1490793_15_en



Swiss Re Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com