Financial statements

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 CHF[1]			
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 unrecognised 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 unrecognised 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	14542	9967	2922	844	1		28276
Fee income from policyholders		56		486			542
Net investment income – non-participating	1098	1442	98	1180	150	–21	3947
Net realised investment gains/losses – non-participating	184	269	150	201	–38		766
Net investment result – unit-linked and with-profit		249		3098			3347
Other revenues	61		2	1	307	–347	24
Total revenues	15885	11983	3172	5810	420	–368	36902
Expenses							
Claims and claim adjustment expenses	–7884		–1773		2		–9655
Life and health benefits		–8075		–1506			–9581
Return credited to policyholders		–286		–3392			–3678
Acquisition costs	–2761	–1698	–406	–30			–4895
Other expenses	–1541	–877	–601	–441	–356	308	–3508
Interest expenses	–207	–544	–1	–46	–22	60	–760
Total expenses	–12393	–11480	–2781	–5415	–376	368	–32077
Income before income tax expense	3492	503	391	395	44	0	4825
Income tax expense/benefit	–244	–35	–111	28	50		–312
Net income before attribution of non-controlling interests	3248	468	280	423	94	0	4513
Income attributable to non-controlling interests	–1		–1				–2
Net income after attribution of non-controlling interests	3247	468	279	423	94	0	4511
Interest on contingent capital instruments	–19	–48					–67
Net income attributable to common shareholders	3228	420	279	423	94	0	4444
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	24986	29588	4644	20014	64		79296
Equity securities	4017	1333	981		1360		7691
Other investments	10080	3179	169	1800	5561	–5905	14884
Short-term investments	13297	4113	1595	1474	510		20989
Investments for unit-linked and with-profit business		988		26227			27215
Cash and cash equivalents	5288	166	562	1748	308		8072
Deferred acquisition costs	1591	2845	319	1			4756
Acquired present value of future profits		1451		2086			3537
Reinsurance recoverable	4752	1756	8228	323		–6732	8327
Other reinsurance assets	11457	9286	2422	3475	3	–1967	24676
Goodwill	2057	2035	17				4109
Other	8869	3759	988	919	207	–4774	9968
Total assets	86394	60499	19925	58067	8013	–19378	213520
Liabilities							
Unpaid claims and claim adjustment expenses	45578	9869	11549	1205	15	–6732	61484
Liabilities for life and health policy benefits		17392	232	18415		–6	36033
Policyholder account balances		1595		29582			31177
Other reinsurance liabilities	11591	2116	4355	620	6	–2433	16255
Short-term debt	798	3730		646	1285	–2641	3818
Long-term debt	4700	10627				–605	14722
Other	10518	8876	1010	1795	1775	–6920	17054
Total liabilities	73185	54205	17146	52263	3081	–19337	180543
Shareholders' equity	13192	6294	2771	5804	4932	–41	32952
Non-controlling interests	17		8				25
Total equity	13209	6294	2779	5804	4932	–41	32977
Total liabilities and equity	86394	60499	19925	58067	8013	–19378	213520

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.

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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	−11 838	−8 898	−1 664	−1 938	−4	−24 342
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	3 276	−361	−509	393	6	2 805
Retrocession to external parties	−1 035	−46	−25	−26		−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	−3 380	−2 007	−481	−32		−5 900
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	–10176	–9120	–2068	–2153	–9	–23526
Intra-group transactions (assumed and ceded)	–427	–238	428	238	–1	0
Claims before receivables from retrocession to external parties	–10603	–9358	–1640	–1915	–10	–23526
Retrocession to external parties	1022	1162	345	68		2597
Net claims paid	**–9581**	**–8196**	**–1295**	**–1847**	**–10**	**–20929**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1662	–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	2057	–959	–531	451	–22	996
Retrocession to external parties	–969	–39	–228	–19		–1255
Net unpaid claims and claim adjustment expenses; life and health benefits	**1088**	**–998**	**–759**	**432**	**–22**	**–259**
Claims and claim adjustment expenses; life and health benefits	**–8493**	**–9194**	**–2054**	**–1415**	**–32**	**–21188**

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	–3514	–2681	–462	–184		–6841
Intra-group transactions (assumed and ceded)	25	–1	–25	1		0
Acquisition costs before impact of retrocession to external parties	–3489	–2682	–487	–183		–6841
Retrocession to external parties	107	193	24	2		326
Net acquisition costs	**–3382**	**–2489**	**–463**	**–181**	**0**	**–6515**

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:

			2013			**2014**
USD millions	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	Total
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	Unit-linked	2013 With-profit	Unit-linked	2014 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	2711	136	206	–1
Realised gains/losses – other	1	–52	5	–18
Total realised gains/losses – unit-linked and with-profit business	2579	–21	**343**	**149**
Total net investment result – unit-linked and with-profit business	3232	115	**1095**	**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:

		2013		2014
USD millions	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.

		2013		2014
USD millions	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 Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total 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 Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total 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

[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.

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	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	–10%–0%
				Withdrawal rate	0%–90%
Embedded derivatives in Mod-Co and Coinsurance with Funds Witheld treaties	–125	–22	Discounted Cash Flow Model	Lapse	3%–10%
				Mortality adjustment	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:

	2013		**2014**	
USD millions	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 features[1]

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.

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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 CHF[2]	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 CHF[2]	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	3648	3980
Currency translation adjustments	540	412
Unrealized gains in income	181	422
Other	858	1063
Gross deferred tax asset	6698	7077
Valuation allowance	–935	–935
Unrecognised tax benefits offsetting benefits on loss carryforwards[1]		–24
Total deferred tax assets	5763	**6118**
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	–2845	–3104
Unrealised gains on investments	–589	–1657
Untaxed realised gains	–524	–394
Foreign exchange provisions	–132	–279
Other	–705	–671
Total deferred tax liabilities	–7091	**–8778**
Liability for unrecognised tax benefits including interest and penalties	–1151	–667
Total deferred and other non-current tax liabilities	–8242	**–9445**
Net deferred and other non-current taxes	–2479	**–3327**

[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
Belgium	2010–2014
Brasil	2010–2014
Canada	2008–2014
China	2005–2014
Colombia	1999, 2009, 2013–2014
Denmark	2010–2014
France	2008–2014
Germany	2007–2014
Hong Kong	2008–2014
India	2005–2014
Ireland	2010–2014
Israel	2008–2014
Italy	2009–2014
Japan	2009–2014
Korea	2013–2014
Luxembourg	2010–2014
Malaysia	2013–2014
Mexico	2009–2014
Netherlands	2010–2014
New Zealand	2009–2014
Singapore	2008–2014
Slovakia	2009–2014
South Africa	2011–2014
Spain	2010–2014
Switzerland	2011–2014
United Kingdom	2008, 2011–2014
United States	2009–2014

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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	3531	2305	341	6177
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	**3685**	**2389**	**371**	**6445**
Fair value of plan assets as of 1 January	3661	2245		5906
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	**3535**	**2354**	**0**	**5889**
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:

	Swiss plan allocation			Foreign plans allocation		
	2013	**2014**	**Target allocation**	2013	**2014**	**Target allocation**
Asset category						
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 Levensherverzekering 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
Gasper 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	2 320	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	223 551	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 Carrying value	2013 Whereof restricted	2014 Carrying value	2014 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**

	2013 Carrying value	2013 Whereof limited recourse	2014 Carrying value	2014 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:

				2013				**2014**
USD millions	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]**	**–**

[1]Maximum 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.
[2]The 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.

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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 cir-cumstances 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 M. Griffin

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**
thereof confirmed by the Swiss Federal Tax Administration[1]	*5 231*	***2 490***

[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 | Bret M. Griffin

Alex Finn	Bret Griffin
Audit expert	
Auditor in charge	

Zurich, 17 March 2015