

Second Quarter 2016 Report



**We make
the world
more
resilient.**

Key Information

Financial highlights

For the six months ended 30 June

USD millions, unless otherwise stated	2015	2016	Change in %
Group			
Net income attributable to common shareholders	2 260	1 866	-17
Premiums earned and fee income	14 706	16 118	10
Earnings per share in CHF	6.27	5.51	-12
Common shareholders' equity (31.12.2015/30.06.2016)	32 415	35 811	10
Return on equity in % ¹	13.5	10.9	
Return on investments in %	4.0	3.7	
Net operating margin in %	18.2	13.6	
Number of employees ² (31.12.2015/30.06.2016)	12 767	13 525	6
Property & Casualty Reinsurance			
Net income attributable to common shareholders ⁶	1 278	870	-32
Premiums earned	7 270	8 092	11
Combined ratio in % ^{3,6}	88.3	97.2	
Net operating margin in % ⁶	21.6	13.6	
Return on equity in % ^{1,6}	20.2	13.7	
Life & Health Reinsurance			
Net income attributable to common shareholders ⁶	509	417	-18
Premiums earned and fee income ⁴	5 148	5 695	11
Net operating margin in % ⁶	13.9	10.7	
Return on equity in % ^{1,6}	17.1	12.6	
Corporate Solutions			
Net income attributable to common shareholders ⁶	248	55	-78
Premiums earned	1 725	1 740	1
Combined ratio in % ⁶	91.7	101.6	11
Net operating margin in % ⁶	18.5	2.6	
Return on equity in % ^{1,6}	21.6	4.8	
Life Capital			
Net income attributable to common shareholders ⁶	250	569	128
Premiums earned and fee income ⁴	563	591	5
Gross cash generation ⁵	139	116	-17
Net operating margin in % ⁶	21.8	41.4	
Return on equity in % ^{1,6}	8.4	18.1	

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

² Regular staff.

³ Letter of credit fees of USD 29 million in 2015, thereof USD 7 million in Property & Casualty Reinsurance, have been reclassified from "Operating expenses" to "Interest expenses".

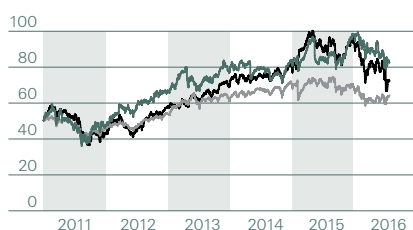
⁴ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

⁵ Gross cash generation is the change in excess capital available over and above the target capital position, with the target capital being the minimum statutory capital plus the additional capital required by Life Capital's capital management policy.

⁶ The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the business segments. Comparative information for 2015 has been adjusted accordingly.

Share information

Share price (CHF)



— Swiss Re
— Swiss Market Index
— STOXX Europe 600 Insurance Index

Financial strength ratings

As of 26 July 2016	Standard & Poor's	Moody's	A.M. Best
Rating	AA-	Aa3	A+
Outlook	Stable	Stable	Stable
Last update	30 November 2015	15 December 2015	11 December 2015

Share information

As of 26 July 2016	
Share price in CHF	82.80
Market capitalisation in CHF millions	29 814

Share performance

in %	1 January 2011 – 26 July 2016 (p.a.)	Year to 26 July 2016
Swiss Re	9.4	-15.6
Swiss Market Index	4.5	-6.7
STOXX Europe 600 Insurance Index	6.8	-22.1

Content

Letter to shareholders	2
Key events	4
Business Units at a glance	6
Group results	8
Reinsurance	10
Property & Casualty Reinsurance	10
Life & Health Reinsurance	12
Corporate Solutions	13
Life Capital	14
Group financial statements	16
Income statement	16
Statement of comprehensive income	17
Balance sheet	20
Statement of shareholders' equity	22
Statement of cash flow	23
Notes to the Group financial statements	24
Note 1 Organisation and summary of significant accounting policies	24
Note 2 Information on business segments	28
Note 3 Insurance information	42
Note 4 Premiums written	50
Note 5 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)	52
Note 6 Investments	54
Note 7 Fair value disclosures	62
Note 8 Derivative financial instruments	75
Note 9 Acquisitions	79
Note 10 Debt and contingent capital instruments	82
Note 11 Earnings per share	84
Note 12 Variable interest entities	85
Note 13 Benefit plans	90
Note 14 Subsequent events	91
General information	92
Cautionary note on forward-looking statements	92
Note on risk factors	94
Contacts	101
Corporate calendar	101

Swiss Re Ltd

Swiss Re Ltd is the holding company of the Swiss Re Group. Its shares are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange and trade under the symbol SREN.

Letter to shareholders

Staying the course

1.9

Group net income (USD billions)
For the first six months of 2016

Dear shareholders,

We are reporting a net income of USD 1.9 billion for the first half of 2016, a solid result in a period marked by natural catastrophes, political uncertainty and volatile financial markets. This performance shows the importance of maintaining a strong underwriting discipline and capital foundation as well as a globally diversified business. This helps us to seize opportunities and build on our success.

Net income for Reinsurance was USD 1.3 billion. Property & Casualty Reinsurance accounted for USD 870 million and Life & Health Reinsurance for USD 417 million, respectively. The results in both segments were supported by large and tailored transactions. They also reflect the impact of a number of natural catastrophes, including wildfires in Canada, earthquakes in Japan and floods in Europe. These events — and the devastation they bring — are a reminder of why we are here: to support our clients after disasters, with the goal to make the world more resilient.

Corporate Solutions reported a net income of USD 55 million in the first half of the year, which included the impact of significant man-made losses. Despite the headwinds we experience, we believe that the Business Unit is well positioned to continue to access diversified risk pools through its disciplined and selective underwriting.

Life Capital, which includes Admin Re®, has generated a strong net income of USD 569 million for the first six months of the year, on top of the diversification benefit it provides to the Group.

We are also pleased to report that we maintained an attractive portfolio at the July treaty renewals, which focus on the Americas and the Australia and New Zealand regions. These show the continued success of differentiation through tailored deals and large transactions, while we are decreasing business in areas that are becoming unattractive.

We, as well as our clients, are in a difficult phase. The current low yield environment continues to challenge our industry. Brexit, which has dominated headlines and financial markets worldwide, has ushered in a period of uncertainty and volatility whose longer-term consequences can't be predicted. That's why managing risk is becoming more challenging — making risk experts such as reinsurers even more relevant. Sharing what we know and putting our knowledge to work is key.



Walter B. Kielholz
Chairman of the Board of Directors



Christian Mumenthaler
Group CEO

This is exactly what we're doing, for example with our latest SONAR report. There we identify emerging risks whose potential scope and impact are not yet sufficiently taken into account — either by society or in our own industry. Among those, we highlight turmoil in emerging markets, the crisis of trust in institutions and the legal and pricing risks of the sharing economy. In addition, in one of our most recent *sigma* studies we take a close look at the potential for insurance demand in frontier markets such as Nigeria, Ecuador and Vietnam. By creating and sharing such knowledge with our clients we can develop roadmaps for mutual success, even in turbulent times.

Two innovations from earlier this year highlight our ongoing commitment to make the world more resilient. In a ground-breaking initiative launched by the World Bank, we co-structured the Pandemic Emergency Financing Facility (PEF), an insurance vehicle that uses both reinsurance and capital market tools to help mobilise funds during a disease outbreak.

Working with private sector leaders and other partners, we also designed a new financial product, the resilience bond, aimed at helping to manage the financial risk from catastrophes, while at the same time promoting investment in infrastructure that mitigates physical risk. The innovative instrument supports a faster recovery after a disaster the way a catastrophe bond does, but can also help improve national and city preparedness.

Industry knowledge is a key asset that helps our company to continue to prosper. That's why we are pleased to propose the election of Jacques de Vacleroy to the Board of Directors at the Annual General Meeting in 2017. His 30 years of experience in global business, and in the primary life area in particular, will make a great fit for Swiss Re.

Lastly, the first half of this year has seen an important announcement of a change at the helm of our company. We want to say a final farewell to Michel Liès, who stepped down as Group CEO at the end of this quarter after more than 35 years in the industry and at Swiss Re. We wish him all the best.

We are fortunate to be working with some of the best talent in the industry, to whom we say thank you for the hard work and dedication — and for remaining agile in the current environment. To you, our shareholders, we say thank you for the confidence you place in us.

Zurich, 29 July 2016

Walter B. Kielholz
Chairman of the Board of Directors

Christian Mumenthaler
Group CEO

Key events

23 February 2016

Swiss Re reports 31% rise in 2015 net income to USD 4.6 billion; Christian Mumenthaler will become Group CEO as of 1 July 2016

Swiss Re reported a strong full-year net income of USD 4.6 billion for 2015, USD 938 million of which was earned in the fourth quarter. All business segments contributed to this result, with L&H Re in particular delivering a strong increase in net income after the successful management actions in 2014. With a clear focus during the past five years on the 2011–2015 Group financial targets, Swiss Re successfully delivered on its return on equity (ROE) and earnings per share (EPS) targets.

3 March 2016

Swiss Re completes the public share buy-back programme

Swiss Re announced that it has completed the public share buy-back programme of up to CHF 1.0 billion purchase value, authorised by the Annual General Meeting on 21 April 2015 and launched on 12 November 2015.

16 March 2016

Swiss Re proposes an 8.2% increase in the regular dividend to CHF 4.60 and a CHF 1.0 billion share buy-back programme

At Swiss Re's Annual General Meeting of shareholders on 22 April 2016, the Board of Directors proposed a regular dividend of CHF 4.60 per share. In addition, the Board of Directors requested the authorisation of a new public share buy-back programme of up to CHF 1.0 billion purchase value. The Board of Directors further proposed the election of Sir Paul Tucker as a new member to the Board of Directors. Swiss Re also published its 2015 Annual Report and its Economic Value Management (EVM) 2015 Annual Report.

30 March 2016

Global insured losses from disasters reach USD 37 billion in 2015; Tianjin explosion caused the biggest insured loss, Swiss Re *sigma* study says

According to the *sigma* study, global insured losses from natural catastrophes and man-made disasters in 2015 were USD 37 billion, well below the USD 62 billion average of the previous 10 years. There were 353 disaster events last year. The biggest catastrophe event in 2015 occurred at the Port of Tianjin in China.

22 April 2016

Swiss Re shareholders approve all proposals put forward by the Board of Directors at Swiss Re's Annual General Meeting

Swiss Re's shareholders approved all proposals put forward by the Board of Directors at its Annual General Meeting in Zurich. This included the increase in regular dividend to CHF 4.60 per share and a new public share buy-back programme of up to CHF 1.0 billion purchase value.

29 April 2016

Swiss Re reports strong first quarter net income of USD 1.2 billion; premium income rises to USD 7.9 billion

Swiss Re reported a strong net income of USD 1.2 billion for the first quarter of 2016, supported by solid underwriting and strong investment results. The Reinsurance Business Unit delivered strong results, benefiting from large and tailored transactions. Corporate Solutions achieved a net income of USD 80 million and invested in further profitable growth by expanding its footprint. Life Capital, created at the start of 2016, reported a net income of USD 321 million, supported by the acquisition of Guardian Financial Services (Guardian). The Group also delivered a strong investment result, with a 3.7% return on investments. Swiss Re reported a very strong Group SST ratio of 223%. With the new capital actions approved at the 2016 Annual General Meeting, Swiss Re continues to focus on its capital management priorities.

25 May 2016

Swiss Re's new SONAR report explores emerging risks for the re/insurance industry and society

Turmoil in emerging markets, increased localisation of internet networks within country borders and financial repression are some of the key risks identified in this year's SONAR report. The publication is based on the SONAR process, an innovative crowdsourcing tool drawing on Swiss Re's unique internal risk management expertise to pick up early signals of what lies beyond the horizon.

29 June 2016

Global insurance industry grows steadily in 2015

Global insurance premiums grew by 3.8% in real terms in 2015, amidst variations in regional growth rates, Swiss Re's *sigma* report says. The overall performance was steady after a 3.5% gain in direct insurance premiums written in 2014, and coming in an environment of just moderate (2.5%) global economic growth. There was a slight slowdown in the life sector in 2015, with global premium growth, dipping to 4.0% from 4.3%, due to weaker performance in the advanced markets. On the non-life side, strong growth in the advanced markets of Asia, and improvement in North America and Western Europe, contributed to a 3.6% increase in global premiums, up from 2.4% growth in 2014.


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Business Units at a glance


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

THE SWISS RE GROUP

Business Unit	Net premiums earned and fee income (USD millions)	Net income (USD millions)		
Reinsurance Reinsurance is Swiss Re's largest business in terms of income, providing about 85% of gross premiums and fee income through two segments – Property & Casualty and Life & Health. Reinsurance aims to extend Swiss Re's industry-leading position with disciplined underwriting, prudent portfolio management and diligent client service.	Property & Casualty	2016 H1 8092 Q2 4 136	2016 H1 870 Q2 283	
		2015 H1 7270 Q2 3 503	2015 H1 1278 Q2 461	
		Life & Health	2016 H1 5 695 Q2 2 860	2016 H1 417 Q2 173
			2015 H1 5 148 Q2 2 541	2015 H1 509 Q2 226
Corporate Solutions Corporate Solutions serves mid-sized and large corporations, with product offerings ranging from traditional property and casualty insurance to highly customised solutions. Corporate Solutions serves customers from more than 50 offices worldwide.	2016 H1 1 740 Q2 875	2016 H1 55 Q2 -25		
	2015 H1 1 725 Q2 843	2015 H1 248 Q2 76		
	2016 H1 591 Q2 307	2016 H1 569 Q2 248		
	2015 H1 563 Q2 257	2015 H1 250 Q2 42		
Life Capital Life Capital manages closed and open life and health insurance books, including the existing Admin Re® business. The Business Unit provides key diversification benefits to the Group, helping to generate stable returns and seize attractive new opportunities. For our clients and partners, it provides insurance solutions, primary life and health expertise and knowledge, new tools and insights that help them reach new markets and offer new products.				
Total (after consolidation)	2016 H1 16 118 Q2 8 178	2016 H1 1 866 Q2 637		
	2015 H1 14 706 Q2 7 144	2015 H1 2 260 Q2 820		

 [Read more: page 10](#)

 [Read more: page 13](#)

 [Read more: page 14](#)

Return on equity YTD (1 Jan–30 June)	Return on equity Q2 (1 April–30 June)	Operating performance YTD (1 Jan–30 June)	Operating performance Q2 (1 April–30 June)
13.7% (2015: 20.2%)	9.4% (2015: 14.2%)	97.2% (2015: 88.3%) Combined ratio	101.0% (2015: 92.9%) Combined ratio
12.6% (2015: 17.1%)	10.1% (2015: 14.5%)	10.7% (2015: 13.9%) Net operating margin	9.3% (2015: 13.0%) Net operating margin
4.8% (2015: 21.6%)	-4.2% (2015: 13.4%)	101.6% (2015: 91.7%) Combined ratio	112.7% (2015: 96.6%) Combined ratio
18.1% (2015: 8.4%)	13.4% (2015: 2.8%)	116m (2015: USD 139m) Gross cash generation	141m (2015: USD 87m) Gross cash generation
10.9% (2015: 13.5%)	7.2% (2015: 9.5%)	1.9bn (2015: USD 2.3bn) Group net income	637m (2015: USD 820m) Group net income

Group results

Swiss Re reported solid net income of USD 1.9 billion for the first six months of 2016, down from USD 2.3 billion for the same period in 2015. The net operating margin for the 2016 period was 13.6%, compared to 18.2% for the first six months of 2015.

Reinsurance reported net income of USD 1.3 billion, compared to USD 1.8 billion for the first six months of 2015. Property & Casualty Reinsurance accounted for USD 0.9 billion, a decrease from USD 1.3 billion in the prior-year period. The current year net income reflected continued solid underwriting results despite higher natural catastrophe losses and lower favourable prior-year development. The net operating margin was 13.6%, compared to 21.6% in the prior-year period. Life & Health Reinsurance contributed USD 417 million for the first six months of 2016, down from USD 509 million for the same period in 2015, impacted by unfavourable mortality and morbidity experience and a reduced impact from foreign exchange remeasurement. The net operating margin was 10.7% for the first six months of 2016 and 13.9% for the same period in 2015.

Corporate Solutions reported net income of USD 55 million for the first six months of 2016, compared to USD 248 million for the same period of the previous year. The 2016 result reflected two large man-made casualty losses in North America which occurred in the third and fourth quarter of 2015. The magnitude and responsibility for these losses were only established in the second quarter of 2016.

Life Capital, which includes Admin Re[®], delivered net income of USD 569 million for the first six months of 2016, compared to USD 250 million in the same period of 2015. The 2016 result reflected the contribution from the acquired Guardian Financial Services companies, leading to higher investment income. Life Capital's net operating margin rose to 41.4% in the first half of 2016, compared to 21.8% in the same period of the previous year.

Common shareholders' equity, excluding non-controlling interests and the impact of contingent capital instruments, increased to USD 35.8 billion as of 30 June 2016 from USD 32.4 billion at the end of December 2015. The increase was driven by net income and unrealised gains on fixed income securities for the first six months of 2016, partially offset by a payment to shareholders of USD 2.1 billion for the 2015 regular dividends and the share buy-back programme completed in the first quarter of 2016.

Annualised return on equity was 10.9% for the first six months of 2016, compared to 13.7% for the full year 2015 and 13.5% (annualised) for the first half of 2015. Earnings per share for the 2016 period were CHF 5.51 or USD 5.61, compared to CHF 6.27 (USD 6.60) for the first six months of 2015.

Book value per common share increased to USD 107.95 or CHF 105.16 at the end of June 2016, compared to USD 95.98 or CHF 96.04 at the end of December 2015. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

Business performance

Premiums earned and fee income for the Group totalled USD 16.1 billion for the first six months of 2016, up from USD 14.7 billion in the same period of the previous year. At constant exchange rates, premiums and fees increased by 12.1%, reflecting growth in selected markets and lines of business, often through large and tailored transactions.

Premiums earned by Property & Casualty Reinsurance came to USD 8.1 billion, an increase from USD 7.3 billion for the same period of the previous year. At constant exchange rates, the growth in premiums earned was 13.7%. Premiums earned growth was mainly driven by large transactions in the US and Europe. The Property & Casualty Reinsurance combined ratio was 97.2%, compared to 88.3% for the first half

of 2015. The increase reflected natural catastrophe losses and lower positive prior-year development compared to the first six months of 2015, which benefited from a particularly benign natural catastrophe experience.

Life & Health Reinsurance premiums earned and fee income totalled USD 5.7 billion, driven by growth in all regions, supported by a new large transaction in the first quarter of 2016 and other transactions in late 2015. At constant exchange rates, premiums earned and fees increased by 13.9%.

Corporate Solutions premiums earned remained broadly stable at USD 1.7 billion, compared to the same period of 2015. At constant exchange rates, premiums earned increased by 2.4%. The Corporate Solutions combined ratio was 101.6% for the first half of 2016, up from 91.7% for the same period of the previous year, reflecting two large man-made casualty losses in North America mentioned above.

Gross cash generation for Life Capital was USD 116 million for the first six months of 2016, compared to USD 139 million for the same period of the previous year. This year's result was impacted by interest rate movements.

Investment result and expenses

The Group's investment portfolio, excluding unit-linked and with-profit investments, increased to USD 136.6 billion as of 30 June 2016, compared to USD 116.8 billion at the end of 2015. The increase was largely due to the acquisition of Guardian and market value gains stemming from the impact of declining interest rates, partially offset by a negative impact from foreign exchange movements.

The return on investments was 3.7% for the first six months of 2016, compared to 4.0% for the same period of 2015. The decrease was driven by reduced realised gains from sales and the impact of a higher invested asset base mainly due to the Guardian acquisition as well as the impact of declining interest rates.

Income statement

For the six months ended 30 June

USD millions	2015	2016	Change in %
Revenues			
Gross premiums written	17 446	19 798	13
Net premiums written	16 499	18 681	13
Change in unearned premiums	-2 033	-2 832	39
Premiums earned	14 466	15 849	10
Fee income from policyholders	240	269	12
Net investment income – non-participating business	1 788	1 864	4
Net realised investment gains/losses – non-participating business	887	1 153	30
Net investment result – unit-linked and with-profit business	673	2 124	216
Other revenues	34	17	-50
Total revenues	18 088	21 276	18
Expenses			
Claims and claim adjustment expenses	-4 895	-6 208	27
Life and health benefits	-4 383	-5 395	23
Return credited to policyholders	-869	-1 922	121
Acquisition costs	-3 191	-3 618	13
Operating expenses ¹	-1 574	-1 521	-3
Total expenses before interest expenses	-14 912	-18 664	25
Income before interest and income tax expense	3 176	2 612	-18
Interest expenses ¹	-326	-314	-4
Income before income tax expense	2 850	2 298	-19
Income tax expense	-550	-396	-28
Net income before attribution of non-controlling interests	2 300	1 902	-17
Income/loss attributable to non-controlling interests	-6	-2	-67
Net income after attribution of non-controlling interests	2 294	1 900	-17
Interest on contingent capital instruments	-34	-34	0
Net income attributable to common shareholders	2 260	1 866	-17

¹ Letter of credit fees of USD 29 million in 2015 have been reclassified from "Operating expenses" to "Interest expenses".

The Group's non-participating net investment income was USD 1.9 billion, compared to USD 1.8 billion for the first six months of 2015. The increase was primarily a result of net asset inflows related to the Guardian acquisition. The Group's fixed income running yield for the six months period was 3.0% in 2016, in line with 2015.

The Group reported non-participating net realised gains of USD 1.2 billion for the first six months of 2016, compared to USD 887 million for the same period in 2015. The increase was primarily related to net realised gains within the Guardian portfolio as well as a higher impact of foreign exchange remeasurement.

Acquisition costs for the Group increased to USD 3.6 billion for the first six months of 2016, compared to USD 3.2 billion for the same period of the previous year, mainly reflecting a large transaction in Life & Health Reinsurance and a higher share of proportional business in Property & Casualty Reinsurance.

Operating expenses of USD 1.5 billion for the first half of 2016 decreased slightly compared to the previous year.

Interest expenses were USD 314 million, a small reduction compared to the 2015 period.

The Group reported a tax charge of USD 396 million on a pre-tax income of USD 2.3 billion for the first six months of 2016, compared to a tax charge of USD 550 million on a pre-tax income of USD 2.9 billion for the same period in 2015. This translated into an effective tax rate in the current and prior-year reporting periods of 17.2% and 19.3%, respectively. The lower rate in the current period was largely driven by higher benefits from the effective settlement of tax audits in certain jurisdictions, offset by lower benefits compared to the prior period from the release of valuation allowance and from adjustments to prior-year provisions.

Reinsurance

The Reinsurance Business Unit, which comprises the segments Property & Casualty Reinsurance and Life & Health Reinsurance, reported a net income of USD 1.3 billion in the first six months of 2016. Summaries of each segment's performance are below.

Property & Casualty Reinsurance

Net income for the first six months of 2016 was USD 870 million compared to USD 1.3 billion in the same period of 2015. The net operating margin was 13.6% in the current period, down from 21.6% in the first half of 2015. Performance in the first six months of 2016 reflected solid underwriting results, partly offset by higher natural catastrophe losses and lower favourable prior-year development. The investment result was higher in the first two quarters of 2016 than in the same period of 2015 mainly due to a positive impact from foreign exchange remeasurement.

Net premiums earned

Net premiums earned increased 11.3% to USD 8.1 billion in the first six months of 2016, compared to USD 7.3 billion in the same period of 2015. The increase was driven by large and tailored transactions in the US and Europe, partially offset by unfavourable foreign exchange movements. At constant exchange rates, net premiums earned were 13.7% higher in the first half of 2016 than in the same period of 2015.

Combined ratio

Property & Casualty Reinsurance reported a combined ratio of 97.2% for the first six months of 2016, compared to 88.3% in the prior-year period. The increase was mainly driven by adverse natural catastrophe experience, notably the wildfires in Fort McMurray, Canada, less positive prior-year development in 2016 compared to the first two quarters of 2015 and the continued price softening of the market.

The expected impact from large natural catastrophes for the first six months of 2016 was 4.8 percentage points, while the actual impact was 4.3 percentage points. The favourable development of prior accident years supported the combined ratio by 1.1 percentage points in the first two quarters of 2016, compared to 3.5 percentage points in the same period of 2015.

Administrative expense ratio

The administrative expense ratio improved to 7.1% in the first six months of 2016, compared to 7.9% in the first six months of 2015, driven by a lower expense base and higher premium volume period over period.

Lines of business

The property combined ratio increased to 94.1% in the first six months of 2016, compared to 78.3% in the same period of 2015. The first two quarters of 2016 were mainly impacted by the wildfires in Canada and earthquakes in Japan that occurred in the second quarter, as well as rate reductions and overall lower reserve releases than in the first half of 2015.

The casualty combined ratio increased by 5.4 percentage points to 105.6% in the first six months of 2016. The increase was mainly driven by reserve strengthening for US asbestos business. The prior-year period benefited from significantly higher reserve releases.

The specialty combined ratio improved to 78.0% for the first six months of 2016, compared to 78.9% in the same period of 2015, driven by more favourable prior-year development.

Investment result

The return on investments was 3.5% for the first six months of 2016, compared to 4.2% in the same period of 2015, reflecting a reduced level of income from equities and alternative investments.

Net investment income decreased by USD 70 million to USD 461 million for the first six months of 2016, mainly due to a lower level of equity accounted income.

Net realised gains were USD 333 million for the first six months of 2016, compared to USD 389 million for the prior period, with the decrease stemming from losses on interest rate hedges in the current period.

Insurance-related investment results as well as foreign exchange remeasurement are not included in the figures above.

Shareholders' equity

Common shareholders' equity was USD 12.4 billion as of 30 June 2016 compared to USD 13.0 billion as of 31 December 2015. The decrease was primarily driven by dividends paid to the Group, partly offset by net income for the period, higher unrealised gains and the impact of foreign exchange movements. The annualised return on equity for the first two quarters of 2016 was 13.7% compared to 20.2% in the same period of 2015. The decrease was mainly due to lower net income in 2016.

Outlook

Abundant capital continues to put pressure on property catastrophe rates, although to a lesser extent than previously. We will further reduce our catastrophe capacity deployment where price levels fall below our return hurdles. We observe ongoing pressure on rates for special lines with notable differences by lines of business and markets. Casualty markets also saw rate decreases but overall remain more stable with some small rate increases for North American motor business. Successful differentiation will remain the key for new business wins, private deals and differential pricing.

We continue to execute our successful differentiation strategy while focusing on the bottom line in a softening market environment. This better positions us to access the business we want and achieve above average rates.

Life & Health Reinsurance

Net income for the first six months of 2016 was USD 417 million compared to USD 509 million for the same period in 2015. The prior-year result benefited from higher foreign exchange remeasurement gains. In addition the current year results were impacted by adverse claims experience including incurred but not reported (IBNR) claims and valuation updates in the US and EMEA. Nevertheless the annualised return on equity for the first half of 2016 was a strong 12.6%, above our target of 10%–12% though lower than the 17.1% reported for the same period of 2015. This is mainly because of lower net income and a significant increase in shareholders' equity driven by higher unrealised gains reflecting a decline in interest rates in the current period.

Net premiums earned and fee income

Premiums earned and fee income for the first six months of 2016 increased 10.6% to USD 5.7 billion compared to USD 5.1 billion for the same period in 2015. Premiums were higher in all regions, from new business as well as a large in-force transaction in the US in the current period and other new transactions in late 2015. At constant exchange rates, premiums earned and fee income for the first six months of 2016 were 13.9% higher compared to the same period in 2015.

Net operating margin

The net operating margin for the first six months of 2016 was 10.7%, compared to 13.9% in the same period of 2015. The 2016 figure was impacted by lower foreign exchange remeasurement gains, adverse experience and valuation updates, along with a higher revenue base.

Management expense ratio

The management expense ratio was 5.2%, an improvement over the prior-year period, driven by a lower expense base and higher premiums in the current year.

Lines of business

Income before interest and income tax expense (EBIT) for the life business decreased to USD 287 million for the first six months of 2016, compared to USD 354 million for the same period of 2015. Results in the current period were impacted by unfavourable mortality experience in the US and in the UK and valuation updates in the US.

EBIT for the health business decreased to USD 248 million for the first six months of 2016, compared to USD 305 million for the same period of 2015. The 2016 result was impacted by higher critical illness claims and an update to IBNR claims in the UK as well as adverse experience in Latin America.

Investment result

The return on investments was 3.8% in the first six months of 2016, compared to 3.6% in the same period of 2015, reflecting an increase in the investment result of USD 31 million. The fixed-income running yield was 3.5% in the reporting period.

Net investment income was generally in line with the prior period as it increased by USD 4 million to USD 556 million for the first six months of 2016, compared to USD 552 million for the first six months of 2015.

Net realised gains were USD 115 million for the first six months of 2016, compared to gains of USD 88 million for the prior-year period, as the 2015 result included losses on interest rate derivatives.

Insurance-related investment results as well as foreign exchange re-measurement are not included in the figures above.

Shareholders' equity

Common shareholders' equity stands at USD 7.4 billion at the end of the first half of 2016, compared to USD 5.8 billion as of 31 December 2015. The increase was mainly due to higher unrealised gains reflecting a decline in interest rates, partially offset by a dividend payout of USD 400 million.

Annualised return on equity was 12.6% for the first half of 2016 compared to 17.1% for the same period of 2015. The reduction is mainly due to lower net income and a significant increase in shareholders' equity.

Outlook

We expect life and health reinsurance business to be relatively flat in mature markets and to increase in high growth markets. In mature markets the prolonged low interest rate environment continues to have an unfavourable impact on long-term life business and cession rates in the US are generally expected to decrease as primary insurers retain more risk. However, we see a strong focus on capital, risk and balance sheet optimisation in mature markets, leading to positive opportunities for large transactions. The recent referendum in the UK is expected to produce a period of uncertainty for growth in the region that could last two years or more. Volatility in UK markets is likely to increase in the short-term, in particular with respect to currency impacts, but we expect it will have a limited impact on Swiss Re's new business overall.

We believe high growth markets will continue to see strong increases in primary life and health volumes while cession rates are expected to be stable. We will continue to pursue growth opportunities in high growth markets and in large transactions, including longevity deals. We are responding to the expanding need for health protection driven by ageing societies and we will apply our experience to help reduce the protection gap in all regions.

Corporate Solutions

Corporate Solutions continued to develop its primary lead capabilities, a major investment area in the execution of its growth strategy. The Business Unit maintains its commitment to underwriting discipline and believes that it is well positioned to successfully navigate an increasingly challenging market.

Performance

Net income was USD 55 million in the first six months of 2016, compared to USD 248 million in the same period of 2015, with a net operating margin of 2.6%, down from 18.5%. The 2016 half-year result reflected two large man-made casualty losses in North America. These losses were partially offset by favourable business performance across most other lines and moderate income from investment activities.

Net premiums earned

Net premiums remained broadly unchanged at USD 1.7 billion in the first six months of 2016 compared to the same period of 2015. Gross premiums written and premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit, increased 6.4% to USD 1.8 billion in the first six months of 2016 compared to USD 1.7 billion in the same period of 2015, driven by the IHC Risk Solutions, LLC, acquisition completed in the first quarter of 2016.

Combined ratio

The combined ratio increased to 101.6% in the first six months of 2016 compared to 91.7% in the same period of 2015, impacted by the two large man-made casualty losses mentioned above.

Lines of business

The property combined ratio for the first six months of 2016 increased by 4.6 percentage points to 84.2%, mainly due to higher large man-made losses compared to the same period in 2015. Both periods benefited from lower than expected natural catastrophe events, though to a lesser extent in 2016.

The casualty combined ratio increased to 127.3% in the first six months of 2016 compared to 101.9% in the same period of 2015, impacted by two large losses in North America which occurred in the third and fourth quarter of 2015. The magnitude and responsibility for these losses were only established in the second quarter of 2016.

The credit combined ratio for the first six months of 2016 improved by 3.5 percentage points to 97.4%. Both periods were impacted by large losses, though to a lesser extent in 2016.

In other specialty lines, the combined ratio improved by 4.8 percentage points to 88.9% in the first six months of 2016, mainly due to lower aviation and satellite losses compared to the same period in 2015.

Investment result

The annualised return on investments was 2.3% for the first six months of 2016, compared to 3.5% in the same period of 2015, driven by reduced net realised gains.

Net investment income increased by USD 10 million to USD 80 million in the first six months of 2016, due to higher income from corporate bonds. Net realised gains were USD 15 million compared to USD 82 million in the first six months of 2015, with the prior period benefiting from higher gains from the sale of equity securities.

Insurance-related derivative results as well as foreign exchange remeasurement are not included in the investment figures above.

Corporate Solutions offers insurance protection against weather perils and other risks, which is accounted for as derivatives. Insurance in derivative form reported net realised losses of USD 9 million in the first six months of 2016, compared to gains of USD 58 million in the same period of 2015, reflecting the impact of the unseasonably mild winter.

Shareholders' equity

Common shareholders' equity remained stable at USD 2.3 billion since the end of 2015. The annualised return on equity was 4.8% in the first six months of 2016, compared to 21.6% in the same period of 2015.

Outlook

Prices for commercial insurance are under significant pressure, with a growing number of segments operating at unattractive rate levels. Underwriting discipline remains a key focus for Corporate Solutions. Thanks to its value proposition, strong balance sheet and selective underwriting approach, Corporate Solutions believes it is well positioned to successfully navigate the current market conditions, but is not fully insulated from the general market environment.

Life Capital

Life Capital was created on 1 January 2016 to manage Swiss Re's closed and open life and health insurance books, including the existing Admin Re[®] business and the existing primary life and health insurance business formerly conducted by Life & Health Reinsurance. Comparative information has been adjusted accordingly.

During the first six months of 2016, Life Capital reported net income of USD 569 million compared to USD 250 million in the comparative period of 2015. The 2016 result included a contribution from Guardian, the acquisition which closed in early January. The underlying business performed in line with expectations. The increase in net income is driven by investment performance, mainly from the Guardian portfolio. The Guardian acquisition is a strong demonstration of progress against our strategy to be a leading closed life book consolidator in the UK. The Life Capital net income also reflected favourable Admin Re[®] UK actuarial valuation impacts. The comparative period of 2015 benefited from higher realised gains from sales of government bonds as part of the preparation for Solvency II, as well as tax credits in the UK.

The net operating margin for the first six months of 2016 was 41.4% compared to 21.8% in the prior-year period with the increase driven by the strong performance in the current year.

Life Capital generated gross cash of USD 116 million in the first six months of 2016 compared to USD 139 million in the prior-year period, impacted by interest rates decreasing and credit spreads widening in the UK.

Gross premiums written

Gross premiums written increased by 15%, to USD 886 million during the first six months of 2016. The increase was driven by the Guardian business and the growth in open life and health insurance.

Investment result

The return on investments was 4.4% in the first six months of 2016, compared to 5.0% in the same period of 2015, as the impact of a higher invested asset base in the current period and a reduction in net realised gains offset increased investment income arising from the Guardian acquisition.

Net investment income increased by USD 145 million to USD 493 million in the first six months of 2016, mainly from net asset in-flows related to the Guardian acquisition.

Net realised gains decreased by USD 40 million to USD 140 million in the first six months of 2016. The prior period included gains from sales related to the repositioning of the portfolio ahead of Solvency II, while the current period included gains from the Guardian investment portfolio.

Insurance-related investment results as well as foreign exchange re-measurement are not included in the figures above.

Expenses

Expenses were USD 221 million in the first half of 2016 compared to USD 197 million in 2015. The increase in expenses was due to the cost of running and integrating the Guardian business.

Shareholders' equity

Common shareholders' equity increased by USD 2.7 billion to USD 7.6 billion compared to 31 December 2015. The increase was driven by a USD 1.6 billion capital contribution from the Group to partially fund the Guardian acquisition and an increase of USD 1.4 billion from unrealised gains. Life Capital paid a dividend of USD 350 million during the second quarter. The annualised return on equity was 18.1% for the first six months of 2016, compared to 8.4% for 2015. The year-on-year increase was mainly due to higher net income.

Outlook

The Life Capital Business Unit continues to pursue selective acquisition opportunities within the closed book market in EMEA and to grow its individual and group life and health business in Europe and the US. Life Capital seeks to optimise capital and asset management to maximise cash generation and return on equity. In the closed book segment the focus remains on achieving operational efficiencies by leveraging its operating platform, while in the open book segment the aim is to grow via innovation and the use of digital technology. Life Capital aims to generate significant cash while continuing to invest in its open book strategy.

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Income statement

USD millions	Note	Three months ended 30 June		Six months ended 30 June	
		2015	2016	2015	2016
Revenues					
Gross premiums written	4	7 370	8 403	17 446	19 798
Net premiums written	4	6 817	7 809	16 499	18 681
Change in unearned premiums		236	228	-2 033	-2 832
Premiums earned	3	7 053	8 037	14 466	15 849
Fee income from policyholders	3	91	141	240	269
Net investment income – non-participating business	6	898	930	1 788	1 864
Net realised investment gains/losses – non-participating business ¹	6	328	461	887	1 153
Net investment result – unit-linked and with-profit business	6	-768	1 719	673	2 124
Other revenues		22	5	34	17
Total revenues		7 624	11 293	18 088	21 276
Expenses					
Claims and claim adjustment expenses	3	-2 460	-3 341	-4 895	-6 208
Life and health benefits	3	-2 026	-2 856	-4 383	-5 395
Return credited to policyholders		583	-1 572	-869	-1 922
Acquisition costs	3	-1 653	-1 845	-3 191	-3 618
Operating expenses ²		-804	-776	-1 574	-1 521
Total expenses before interest expenses		-6 360	-10 390	-14 912	-18 664
Income before interest and income tax expense		1 264	903	3 176	2 612
Interest expenses ²		-165	-159	-326	-314
Income before income tax expense		1 099	744	2 850	2 298
Income tax expense		-256	-85	-550	-396
Net income before attribution of non-controlling interests		843	659	2 300	1 902
Income/loss attributable to non-controlling interests		-6	-5	-6	-2
Net income after attribution of non-controlling interests		837	654	2 294	1 900
Interest on contingent capital instruments		-17	-17	-34	-34
Net income attributable to common shareholders		820	637	2 260	1 866
Earnings per share in USD					
Basic	11	2.39	1.92	6.60	5.61
Diluted	11	2.20	1.77	6.03	5.13
Earnings per share in CHF³					
Basic	11	2.27	1.89	6.27	5.51
Diluted	11	2.09	1.74	5.73	5.04

¹ Total impairments for the three months ended 30 June were USD 6 million in 2015 and USD 27 million in 2016 of which USD 6 million and USD 27 million, respectively, were recognised in earnings. Total impairments for the six months ended 30 June were USD 11 million in 2015 and USD 60 million in 2016 of which USD 11 million and USD 60 million, respectively, were recognised in earnings.

² Letter of credit fees of USD 15 million for the three months ended 30 June 2015 and USD 29 million for the six months ended 30 June 2015 have been reclassified from "Operating expenses" to "Interest expenses".

³ 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

USD millions	Three months ended 30 June		Six months ended 30 June	
	2015	2016	2015	2016
Net income before attribution of non-controlling interests	843	659	2 300	1 902
Other comprehensive income, net of tax:				
Change in unrealised investment gains/losses	-2 779	2 165	-1 584	3 731
Change in other-than-temporary impairment			1	5
Change in cash flow hedges		-12		-12
Change in foreign currency translation	294	-226	-635	-89
Change in adjustment for pension benefits	8	23	37	33
Total comprehensive income before attribution of non-controlling interests	-1 634	2 609	119	5 570
Interest on contingent capital instruments	-17	-17	-34	-34
Comprehensive income attributable to non-controlling interests	-6	-5	-6	-2
Total comprehensive income attributable to common shareholders	-1 657	2 587	79	5 534

Reclassification out of accumulated other comprehensive income

For the three months ended 30 June

2015 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 April	6 613	-2	0	-5 604	-796	211
Change during the period	-3 011			245	-12	-2 778
Amounts reclassified out of accumulated other comprehensive income	-893				21	-872
Tax	1 125			49	-1	1 173
Balance as of period end	3 834	-2	0	-5 310	-788	-2 266

2016 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 April	4 314	-6	0	-5 550	-1 006	-2 248
Change during the period	2 929		43	-147	15	2 840
Amounts reclassified out of accumulated other comprehensive income	-114		-55		16	-153
Tax	-650			-79	-8	-737
Balance as of period end	6 479	-6	-12	-5 776	-983	-298

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.

Group financial statements (unaudited)

For the six months ended 30 June

2015 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	5 418	-3	0	-4 675	-825	-85
Change during the period	-1 084	2		-564	11	-1 635
Amounts reclassified out of accumulated other comprehensive income	-1 240				37	-1 203
Tax	740	-1		-71	-11	657
Balance as of period end	3 834	-2	0	-5 310	-788	-2 266

2016 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	2 748	-11	0	-5 687	-1 016	-3 966
Change during the period	5 456	5	43	-112	13	5 405
Amounts reclassified out of accumulated other comprehensive income	-506	2	-55		32	-527
Tax	-1 219	-2		23	-12	-1 210
Balance as of period end	6 479	-6	-12	-5 776	-983	-298

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.

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Balance sheet

Assets

USD millions	Note	31.12.2015	30.06.2016
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale (including 11 897 in 2015 and 11 387 in 2016 subject to securities lending and repurchase agreements) (amortised cost: 2015: 76 155; 2016: 88 816)		79 435	97 201
Trading (including 1 729 in 2015 and 2 382 in 2016 subject to securities lending and repurchase agreements)		2 896	3 338
Equity securities:			
Available-for-sale (including 605 in 2015 and 503 in 2016 subject to securities lending and repurchase agreements) (cost: 2015: 4 294; 2016: 3 694)		4 719	4 028
Trading		68	52
Policy loans, mortgages and other loans		3 123	3 727
Investment real estate		1 556	1 841
Short-term investments (including 1 278 in 2015 and 2 381 in 2016 subject to securities lending and repurchase agreements)		7 405	9 306
Other invested assets		10 367	10 549
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 069 in 2015 and 5 740 in 2016, equity securities trading: 22 783 in 2015 and 26 252 in 2016)		28 241	33 570
Total investments		137 810	163 612
Cash and cash equivalents (including 319 in 2015 and 402 in 2016 subject to securities lending)		8 204	7 840
Accrued investment income		983	1 110
Premiums and other receivables		11 709	14 843
Reinsurance recoverable on unpaid claims and policy benefits		6 578	7 882
Funds held by ceding companies		9 870	8 328
Deferred acquisition costs	5	5 471	6 152
Acquired present value of future profits	5	2 964	2 188
Goodwill		3 862	4 059
Income taxes recoverable		191	284
Deferred tax assets		5 970	6 430
Other assets		2 523	4 132
Total assets		196 135	226 860

The accompanying notes are an integral part of the Group financial statements.

Liabilities and equity

USD millions	Note	31.12.2015	30.06.2016
Liabilities			
Unpaid claims and claim adjustment expenses		55 518	57 354
Liabilities for life and health policy benefits	7	30 131	44 039
Policyholder account balances		31 422	35 258
Unearned premiums		10 869	14 035
Funds held under reinsurance treaties		3 320	2 823
Reinsurance balances payable		1 928	2 202
Income taxes payable		488	191
Deferred and other non-current tax liabilities		8 093	10 054
Short-term debt	10	1 834	1 033
Accrued expenses and other liabilities		7 948	11 966
Long-term debt	10	10 978	10 903
Total liabilities		162 529	189 858
Equity			
Contingent capital instruments		1 102	1 102
Common shares, CHF 0.10 par value 2015: 370 706 931; 2016: 370 706 931 shares authorised and issued		35	35
Additional paid-in capital		482	485
Treasury shares, net of tax		-1 662	-2 242
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		2 748	6 479
Other-than-temporary impairment, net of tax		-11	-6
Cash flow hedges, net of tax			-12
Foreign currency translation, net of tax		-5 687	-5 776
Adjustment for pension and post-retirement benefits, net of tax		-1 016	-983
Total accumulated other comprehensive income		-3 966	-298
Retained earnings		37 526	37 831
Shareholders' equity		33 517	36 913
Non-controlling interests		89	89
Total equity		33 606	37 002
Total liabilities and equity		196 135	226 860

The accompanying notes are an integral part of the Group financial statements.

Statement of shareholders' equity

For the twelve months ended 31 December and the six months ended 30 June

USD millions	2015	2016
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	1 806	482
Share-based compensation	17	-30
Realised gains/losses on treasury shares	-61	33
Dividends on common shares ¹	-1 280	
Balance as of period end	482	485
Treasury shares, net of tax		
Balance as of 1 January	-1 185	-1 662
Purchase of treasury shares	-584	-650
Issuance of treasury shares, including share-based compensation to employees	107	70
Balance as of period end	-1 662	-2 242
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	5 418	2 748
Changes during the period	-2 670	3 731
Balance as of period end	2 748	6 479
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-3	-11
Changes during the period	-8	5
Balance as of period end	-11	-6
Cash flow hedges, net of tax		
Balance as of 1 January	0	0
Changes during the period		-12
Balance as of period end	0	-12
Foreign currency translation, net of tax		
Balance as of 1 January	-4 675	-5 687
Changes during the period	-1 012	-89
Balance as of period end	-5 687	-5 776
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-825	-1 016
Changes during the period	-191	33
Balance as of period end	-1 016	-983
Retained earnings		
Balance as of 1 January	34 257	37 526
Net income after attribution of non-controlling interests	4 665	1 900
Interest on contingent capital instruments, net of tax	-68	-34
Dividends on common shares ¹	-1 328	-1 561
Balance as of period end	37 526	37 831
Shareholders' equity	33 517	36 913
Non-controlling interests		
Balance as of 1 January	111	89
Changes during the period	-25	-2
Income attributable to non-controlling interests	3	2
Balance as of period end	89	89
Total equity	33 606	37 002

¹ The distributions to shareholders in 2015 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 six months ended 30 June

USD millions	2015	2016
Cash flows from operating activities		
Net income attributable to common shareholders	2 260	1 866
Add net income attributable to non-controlling interests	6	2
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	271	353
Net realised investment gains/losses	-1 155	-2 696
Income from equity-accounted investees, net of dividends received	27	89
Change in:		
Technical provisions and other reinsurance assets and liabilities, net ¹	-155	2 642
Funds held by ceding companies and under reinsurance treaties	200	1 131
Reinsurance recoverable on unpaid claims and policy benefits	400	214
Other assets and liabilities, net	-227	-171
Income taxes payable/recoverable	-206	-130
Trading positions, net ¹	3	742
Net cash provided/used by operating activities	1 424	4 042
Cash flows from investing activities		
Fixed income securities:		
Sales	23 037	21 529
Maturities	2 430	1 710
Purchases	-29 892	-25 597
Net purchases/sales/maturities of short-term investments ¹	4 399	-1 805
Equity securities:		
Sales	1 010	1 311
Purchases	-1 783	-658
Securities purchased/sold under agreement to resell/repurchase, net	666	1 240
Cash paid/received for acquisitions/disposal and reinsurance transactions, net	44	319
Net purchases/sales/maturities of other investments ¹	2 002	669
Net purchases/sales/maturities of investments held for unit-linked and with-profit business ¹	901	1 302
Net cash provided/used by investing activities	2 814	20
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business: ¹		
Deposits	226	354
Withdrawals	-1 092	-1 940
Issuance/repayment of long-term debt	234	811
Issuance/repayment of short-term debt	-1 109	-1 326
Purchase/sale of treasury shares	-129	-631
Dividends paid to shareholders	-2 608	-1 561
Net cash provided/used by financing activities	-4 478	-4 293
Total net cash provided/used	-240	-231
Effect of foreign currency translation	-106	-133
Change in cash and cash equivalents	-346	-364
Cash and cash equivalents as of 1 January	7 471	8 204
Cash and cash equivalents as of 30 June	7 125	7 840

¹ The Group changed the presentation of its investments related to unit-linked and with-profit business, and related deposits and withdrawals were reclassified from "Technical provisions, net" in the operating cash flow to "Policyholder account balances, unit-linked and with-profit business" in the financing cash flow. Comparative information for 2015 has been adjusted accordingly.

Interest paid was USD 268 million and USD 226 million (thereof USD 30 million and USD 26 million for letter of credit fees) for the six months ended 30 June 2015 and 2016, respectively.

Tax paid was USD 747 million and USD 517 million for the six months ended 30 June 2015 and 2016, 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). All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group's audited financial statements for the year ended 31 December 2015.

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 disclosures, including contingent assets and liabilities. The 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.

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 judgement 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 30 June 2016, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 28 July 2016. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity – a consensus of the FASB Emerging Issues Task Force", an update to topic 810, "Consolidation". The ASU applies to entities that are required to consolidate a collateralised financing entity (CFE) under the variable interest entity (VIE) consolidation guidance when the entity measures all financial assets and financial liabilities of the CFE at fair value, with changes in fair value recorded in earnings. Before the ASU became effective, if an entity would measure the fair value of assets and liabilities separately following applicable US GAAP rules, the aggregate fair value might have differed. The new guidance allows the use of the more observable of the fair value of the financial assets or the fair value of the financial liabilities of the CFE to measure both. The Group adopted ASU 2014-13 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity – a consensus of the FASB Emerging Issues Task Force", an update to topic 815, "Derivatives and Hedging". The ASU provides guidance on how to assess whether or not a derivative embedded in an instrument in the legal form of a share must be bifurcated and accounted for separately from its host contract. Entities are required to use "the whole instrument approach" to determine whether the nature of the host contract in a hybrid instrument issued in the form of a share is more akin to debt or to equity. Under this approach, an issuer or investor considers all stated and implied substantive terms and features of a hybrid instrument when determining the nature of the host contract. No single term or feature will necessarily determine the nature of the host contract. The Group adopted ASU 2014-16 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items", an update to subtopic 225-20, "Income Statement—Extraordinary and Unusual Items". The ASU eliminates the separate presentation of extraordinary items, net of tax and the related earnings per share. Extraordinary items were events and transactions that were distinguished by their unusual nature and by the infrequency of their occurrence. The ASU does not affect the requirement to disclose material items that are unusual in nature or infrequently occurring. The Group adopted ASU 2015-01 on 1 January 2016 on a prospective basis. The adoption did not have a material effect on the Group's financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation: Amendments to the Consolidation Analysis", an amendment to topic 810, "Consolidation". ASU 2015-02 (i) eliminates the indefinite deferral of the consolidation requirements for certain investment companies and similar entities, (ii) modifies how to evaluate partnerships and other entities under the VIE framework, (iii) eliminates the presumption that a general partner should consolidate a limited partnership, (iv) modifies consolidation analysis, particularly for decision-maker fee arrangements and related party relationships, (v) excludes from the scope of consolidation assessment the entities that are, or operate similar to, money market funds registered under the US Investment Company Act of 1940. The Group adopted ASU 2015-02 on 1 January 2016 following the modified retrospective method. The modified retrospective method does not require the restatement of prior periods. The adoption did not have a material effect on the Group's financial statements; however, it led to an increase in VIEs disclosed in Note 12 Variable interest entities.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", an update to subtopic 835-30, "Interest – Imputation of Interest". The ASU changes the presentation of debt issuance costs in financial statements by requiring that an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortisation of the costs is reported as interest expense. The Group adopted ASU 2015-03 on 1 January 2016 on a prospective basis. The adoption did not have an impact on the Group's financial statements.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", an amendment to topic 820, "Fair Value Measurement". ASU 2015-07 removes the requirement to categorise within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Group adopted ASU 2015-07 on 1 January 2016 and applies the amendments retrospectively. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient gets removed from the fair value hierarchy in all periods presented in an entity's financial statements. The amended disclosures are provided in Note 7 Fair value disclosures.

In May 2015, the FASB issued ASU 2015-09, "Disclosures about Short-Duration Contracts", an update to topic 944, "Financial Services – Insurance". ASU 2015-09 requires an insurance entity to provide additional information about insurance liabilities, including information on the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. Requirements include disaggregated incurred and paid claims development information by accident year, on a net basis after risk mitigation, for at least the most recent 10 years with the periods preceding the current period considered required supplementary information. In addition, for each accident year presented in the claims development tables, an insurer has to provide disaggregated information about claim frequency (unless impracticable) and the amounts of incurred but not reported (IBNR) liabilities plus the expected development on reported claims. Required disclosures also include a description of the methods for determining both IBNR and expected development on reported claims as well as information about any significant changes in methods and assumptions used in the computation of the liability for unpaid claims and claim adjustment expenses, including reasons for the changes and the impact of the changes on the most recent reporting period in the financial statements. All aforementioned disclosures have to be provided on an annual basis. In addition, insurance entities must disclose the roll-forward of the liability for unpaid claims and claims adjustment expenses in both interim and annual periods. The Group will adopt the annual disclosure requirements for the annual reporting period ending on 31 December 2016, and the interim disclosure requirements for the quarter ending on 31 March 2017. The Group has set up a project to implement the new requirements.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments", an amendment to topic 805, "Business Combinations". ASU 2015-16 is on adjustments to provisional amounts from business combinations during the measurement periods. It requires that an acquirer recognises such adjustments in the reporting period in which the adjustment amounts are determined. Further, the ASU requires that the acquirer records, in the same period's financial statements, the effect on earnings of changes in depreciation, amortisation, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Group adopted this guidance on 1 January 2016. The adoption did not have an effect on the Group's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", an update to subtopic 825-10, "Financial Instruments – Overall". The ASU requires an entity to carry investments in equity securities, including other ownership interests and limited liability companies at fair value through net income, with the exception of equity method investments, investments that result in consolidation or investments for which the entity has elected the practicability exception to fair value measurement. The practicability exception can only be applied by certain entities and only to equity investments without a readily determinable fair value. Investments under the practicability exception will be subject to an indicator-based impairment test. For financial liabilities to which the fair value option has been applied, the ASU also requires an entity to separately present the change in fair value attributable to instrument-specific credit risk in other comprehensive income rather than in net income. Specific exceptions apply to this requirement. In addition, the ASU requires an entity to assess whether a valuation allowance is needed on a deferred tax asset (DTA) related to fixed income securities AFS in combination with the entity's other DTAs rather than separately from other DTAs. The ASU also introduces changes to disclosure requirements for financial instruments not measured at fair value and introduces new requirements for equity instruments where the practicability exception to fair value measurement is applied. The new requirements are effective for annual and interim periods beginning after 15 December 2017 with early adoption permitted for requirements relating to the presentation of the impact of instrument-specific credit risk on qualifying financial liabilities in other comprehensive income. The Group is currently assessing the impact of the new requirements.

In February 2016, the FASB issued ASU 2016-02 "Leases", which creates topic 842, "Leases". The core principle of topic 842 is that a lessee should recognise the assets and liabilities that arise from leases. A lessee should recognise in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing the right to use the underlying asset for the lease term. This accounting treatment applies to finance leases and operating leases. The accounting applied by a lessor is largely unchanged from that applied under the current guidance. The new requirements are effective for the Group for annual and interim periods beginning after 15 December 2018. Early application of the ASU is permitted. The Group is currently assessing the impact of the new requirements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses", an update to topic 326, "Financial Instruments – Credit Losses". ASU 2016-13 replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses. The standard requires for financial instruments that are measured at amortised cost and available-for-sale debt securities that an entity recognises as an allowance its estimate of expected credit losses. This standard is effective for the Group for annual and interim periods beginning after 15 December 2020. Early adoption for interim and annual periods after 15 December 2018 is permitted. The Group is currently assessing the impact of the new requirements.

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 Life Capital (which includes the former Business Unit 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.

As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

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 stock and mutual insurance companies 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.

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 50 offices worldwide.

Life Capital

Life Capital was created on 1 January 2016 to manage Swiss Re's primary life and health business. It comprises the closed and open life and health insurance books, including the existing Admin Re® business and the existing primary life and health insurance business formerly conducted by Life & Health Reinsurance. 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.

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.

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 three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Consolidation	Total
Revenues							
Gross premiums written	3 450	2 833	1 044	242		-199	7 370
Net premiums written	3 289	2 460	936	132			6 817
Change in unearned premiums	214	69	-93	46			236
Premiums earned	3 503	2 529	843	178			7 053
Fee income from policyholders		12		79			91
Net investment income – non-participating business	272	351	32	193	49	1	898
Net realised investment gains/losses – non-participating business	133	57	59	70	9		328
Net investment result – unit-linked and with-profit business		-34		-734			-768
Other revenues	27	-2	3		86	-92	22
Total revenues	3 935	2 913	937	-214	144	-91	7 624
Expenses							
Claims and claim adjustment expenses	-1 934		-524		-2		-2 460
Life and health benefits		-1 884		-142			-2 026
Return credited to policyholders		30		553			583
Acquisition costs	-1 030	-489	-110	-24			-1 653
Operating expenses ^{2,3}	-291	-186	-180	-108	-125	86	-804
Total expenses before interest expenses	-3 255	-2 529	-814	279	-127	86	-6 360
Income/loss before interest and income tax expense							
Interest expenses ²	-77	-78	-6	-3	-6	5	-165
Income before income tax expense	603	306	117	62	11	0	1 099
Income tax expense/benefit	-137	-68	-35	-20	4		-256
Net income before attribution of non-controlling interests	466	238	82	42	15	0	843
Income/loss attributable to non-controlling interests			-6				-6
Net income after attribution of non-controlling interests	466	238	76	42	15	0	837
Interest on contingent capital instruments	-5	-12					-17
Net income attributable to common shareholders	461	226	76	42	15	0	820
Claims ratio in %	55.2		62.2				56.5
Expense ratio in %	37.7		34.4				37.1
Combined ratio in %	92.9		96.6				93.6
Management expense ratio in %		6.4					
Net operating margin in %	17.3	13.0	13.1	12.5	11.8		15.1

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

² Letter of credit fees of USD 11 million in Life & Health Reinsurance and USD 4 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

³ The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the business segments. Comparative information for 2015 has been adjusted accordingly.

Business segments – income statement

For the three months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	4 116	3 181	1 009	283		-186	8 403
Net premiums written	3 935	2 814	925	135			7 809
Change in unearned premiums	201	34	-50	43			228
Premiums earned	4 136	2 848	875	178			8 037
Fee income from policyholders		12		129			141
Net investment income – non-participating business	278	329	33	332	-20	-22	930
Net realised investment gains/losses – non-participating business	186	90	14	186	-15		461
Net investment result – unit-linked and with-profit business		-74		1 793			1 719
Other revenues	10		1		97	-103	5
Total revenues	4 610	3 205	923	2 618	62	-125	11 293
Expenses							
Claims and claim adjustment expenses	-2 663		-678				-3 341
Life and health benefits		-2 307		-549			-2 856
Return credited to policyholders		69		-1 641			-1 572
Acquisition costs	-1 220	-494	-127	-4			-1 845
Operating expenses	-295	-167	-181	-113	-117	97	-776
Total expenses before interest expenses	-4 178	-2 899	-986	-2 307	-117	97	-10 390
Income/loss before interest and income tax expense							
	432	306	-63	311	-55	-28	903
Interest expenses	-77	-76	-6	-9	-19	28	-159
Income/loss before income tax expense	355	230	-69	302	-74	0	744
Income tax expense/benefit	-67	-44	48	-54	32		-85
Net income/loss before attribution of non-controlling interests	288	186	-21	248	-42	0	659
Income/loss attributable to non-controlling interests	-1		-4				-5
Net income/loss after attribution of non-controlling interests	287	186	-25	248	-42	0	654
Interest on contingent capital instruments	-4	-13					-17
Net income/loss attributable to common shareholders	283	173	-25	248	-42	0	637
Claims ratio in %	64.4		77.5				66.7
Expense ratio in %	36.6		35.2				36.4
Combined ratio in %	101.0		112.7				103.1
Management expense ratio in %		5.2					
Net operating margin in %	9.4	9.3	-6.8	37.7	-88.7	22.4	9.4

Business segments – income statement

For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Consolidation	Total
Revenues							
Gross premiums written	9 650	5 934	1 718	769		-625	17 446
Net premiums written	9 417	5 239	1 442	401			16 499
Change in unearned premiums	-2 147	-118	283	-51			-2 033
Premiums earned	7 270	5 121	1 725	350			14 466
Fee income from policyholders		27		213			240
Net investment income – non-participating business	551	685	62	473	13	4	1 788
Net realised investment gains/losses – non-participating business	330	216	147	182	12		887
Net investment result – unit-linked and with-profit business		41		632			673
Other revenues	40		7		161	-174	34
Total revenues	8 191	6 090	1 941	1 850	186	-170	18 088
Expenses							
Claims and claim adjustment expenses	-3 896		-997		-2		-4 895
Life and health benefits		-3 858		-525			-4 383
Return credited to policyholders		-53		-816			-869
Acquisition costs	-1 947	-970	-228	-46			-3 191
Operating expenses ^{2,3}	-576	-368	-357	-197	-237	161	-1 574
Total expenses before interest expenses	-6 419	-5 249	-1 582	-1 584	-239	161	-14 912
Income/loss before interest and income tax expense							
	1 772	841	359	266	-53	-9	3 176
Interest expenses ²	-140	-166	-12	-7	-10	9	-326
Income/loss before income tax expense	1 632	675	347	259	-63	0	2 850
Income tax expense/benefit	-344	-142	-93	-9	38		-550
Net income/loss before attribution of non-controlling interests	1 288	533	254	250	-25	0	2 300
Income/loss attributable to non-controlling interests			-6				-6
Net income/loss after attribution of non-controlling interests	1 288	533	248	250	-25	0	2 294
Interest on contingent capital instruments	-10	-24					-34
Net income/loss attributable to common shareholders	1 278	509	248	250	-25	0	2 260
Claims ratio in %	53.6		57.8				54.3
Expense ratio in %	34.7		33.9				34.6
Combined ratio in %	88.3		91.7				88.9
Management expense ratio in %		6.3					
Net operating margin in %	21.6	13.9	18.5	21.8	-28.5		18.2

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

² Letter of credit fees of USD 22 million in Life & Health Reinsurance and USD 7 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

³ The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the business segments. Comparative information for 2015 has been adjusted accordingly.

Business segments – income statement

For the six months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	11 124	6 586	1 813	886		-611	19 798
Net premiums written	10 883	5 895	1 513	390			18 681
Change in unearned premiums	-2 791	-224	227	-44			-2 832
Premiums earned	8 092	5 671	1 740	346			15 849
Fee income from policyholders		24		245			269
Net investment income – non-participating business	515	662	69	648		-30	1 864
Net realised investment gains/losses – non-participating business	482	197	3	491	-20		1 153
Net investment result – unit-linked and with-profit business		-137		2 261			2 124
Other revenues	21	5	3		175	-187	17
Total revenues	9 110	6 422	1 815	3 991	155	-217	21 276
Expenses							
Claims and claim adjustment expenses	-5 037		-1 171				-6 208
Life and health benefits		-4 381		-1 014			-5 395
Return credited to policyholders		129		-2 051			-1 922
Acquisition costs	-2 257	-1 134	-239	12			-3 618
Operating expenses	-575	-332	-358	-221	-209	174	-1 521
Total expenses before interest expenses	-7 869	-5 718	-1 768	-3 274	-209	174	-18 664
Income/loss before interest and income tax expense							
	1 241	704	47	717	-54	-43	2 612
Interest expenses	-146	-154	-12	-14	-31	43	-314
Income/loss before income tax expense	1 095	550	35	703	-85	0	2 298
Income tax expense/benefit	-215	-108	21	-134	40		-396
Net income/loss before attribution of non-controlling interests	880	442	56	569	-45	0	1 902
Income/loss attributable to non-controlling interests	-1		-1				-2
Net income/loss after attribution of non-controlling interests	879	442	55	569	-45	0	1 900
Interest on contingent capital instruments	-9	-25					-34
Net income/loss attributable to common shareholders	870	417	55	569	-45	0	1 866
Claims ratio in %	62.2		67.3				63.1
Expense ratio in %	35.0		34.3				34.9
Combined ratio in %	97.2		101.6				98.0
Management expense ratio in %		5.2					
Net operating margin in %	13.6	10.7	2.6	41.4	-34.8		13.6

Notes to the Group financial statements (unaudited)

Business segments – balance sheet

As of 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Consolidation	Total
Assets							
Fixed income securities	32 146	28 850	5 888	15 429	18		82 331
Equity securities	2 231	921	935		700		4 787
Other investments	12 105	1 976	162	1 524	6 077	-6 798	15 046
Short-term investments	3 458	1 052	1 256	588	1 051		7 405
Investments for unit-linked and with-profit business		818		27 423			28 241
Cash and cash equivalents	4 282	280	680	1 586	1 376		8 204
Deferred acquisition costs	2 051	3 020	387	13			5 471
Acquired present value of future profits		1 134		1 830			2 964
Reinsurance recoverable	2 872	1 652	6 438	1 069		-5 453	6 578
Other reinsurance assets	8 879	7 876	2 296	3 766	3	-1 241	21 579
Goodwill	1 873	1 883	106				3 862
Other ²	8 310	5 875	934	1 213	397	-7 062	9 667
Total assets	78 207	55 337	19 082	54 441	9 622	-20 554	196 135
Liabilities							
Unpaid claims and claim adjustment expenses	39 366	9 468	10 619	1 380		-5 315	55 518
Liabilities for life and health policy benefits		15 472	257	14 409		-7	30 131
Policyholder account balances		1 368		30 187		-133	31 422
Other reinsurance liabilities	10 597	2 202	4 178	785	3	-1 648	16 117
Short-term debt	1 001	2 612			515	-2 294	1 834
Long-term debt	4 074	8 770	496	808		-3 170	10 978
Other ²	9 799	8 871	1 187	1 925	2 731	-7 984	16 529
Total liabilities	64 837	48 763	16 737	49 494	3 249	-20 551	162 529
Shareholders' equity²	13 347	6 574	2 279	4 947	6 373	-3	33 517
Non-controlling interests	23		66				89
Total equity	13 370	6 574	2 345	4 947	6 373	-3	33 606
Total liabilities and equity	78 207	55 337	19 082	54 441	9 622	-20 554	196 135

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

² The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the business segments. The resulted impact on the balance sheet has been adjusted accordingly for the comparative information 2015.

Business segments – balance sheet

As of 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	35 428	31 965	5 757	27 375	14		100 539
Equity securities	1 690	896	917		577		4 080
Other investments	13 407	1 661	213	2 882	7 215	-9 261	16 117
Short-term investments	3 919	2 180	1 218	1 476	513		9 306
Investments for unit-linked and with-profit business		485		33 085			33 570
Cash and cash equivalents	2 654	868	860	2 850	608		7 840
Deferred acquisition costs	2 571	3 180	386	15			6 152
Acquired present value of future profits		1 046		1 142			2 188
Reinsurance recoverable	2 680	1 656	6 028	2 427		-4 909	7 882
Other reinsurance assets	11 112	6 890	2 267	4 138	3	-1 239	23 171
Goodwill	1 888	1 854	176	141			4 059
Other	10 805	5 401	1 212	1 926	1 050	-8 438	11 956
Total assets	86 154	58 082	19 034	77 457	9 980	-23 847	226 860
Liabilities							
Unpaid claims and claim adjustment expenses	39 894	10 209	10 627	1 512		-4 888	57 354
Liabilities for life and health policy benefits		15 770	263	28 027		-21	44 039
Policyholder account balances		1 277		33 981			35 258
Other reinsurance liabilities	13 665	2 013	4 049	1 053	3	-1 723	19 060
Short-term debt	2 215	3 068		201	475	-4 926	1 033
Long-term debt	3 446	7 779	497	1 567	80	-2 466	10 903
Other	14 127	9 843	1 267	3 467	3 327	-9 820	22 211
Total liabilities	73 347	49 959	16 703	69 808	3 885	-23 844	189 858
Shareholders' equity	12 783	8 123	2 266	7 649	6 095	-3	36 913
Non-controlling interests	24		65				89
Total equity	12 807	8 123	2 331	7 649	6 095	-3	37 002
Total liabilities and equity	86 154	58 082	19 034	77 457	9 980	-23 847	226 860

b) Property & Casualty Reinsurance business segment – by line of business

For the three months ended 30 June

2015 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	1 476	1 522	452		3 450
Net premiums written	1 338	1 511	440		3 289
Change in unearned premiums	-39	115	138		214
Premiums earned	1 299	1 626	578		3 503
Net investment income				272	272
Net realised investment gains/losses				133	133
Other revenues				27	27
Total revenues	1 299	1 626	578	432	3 935
Expenses					
Claims and claim adjustment expenses	-632	-1 009	-293		-1 934
Acquisition costs	-312	-535	-183		-1 030
Operating expenses ^{1,2}	-159	-87	-45		-291
Total expenses before interest expenses	-1 103	-1 631	-521	0	-3 255
Income/loss before interest and income tax expense	196	-5	57	432	680
Interest expenses ¹				-77	-77
Income/loss before income tax expense	196	-5	57	355	603
Claims ratio in %	48.6	62.0	50.7		55.2
Expense ratio in %	36.3	38.3	39.4		37.7
Combined ratio in %	84.9	100.3	90.1		92.9

¹ Letter of credit fees of USD 4 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

² The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group Items from the Property & Casualty Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

2016 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	1 712	1 975	429		4 116
Net premiums written	1 552	1 964	419		3 935
Change in unearned premiums	2	43	156		201
Premiums earned	1 554	2 007	575		4 136
Net investment income				278	278
Net realised investment gains/losses				186	186
Other revenues				10	10
Total revenues	1 554	2 007	575	474	4 610
Expenses					
Claims and claim adjustment expenses	-1 118	-1 308	-237		-2 663
Acquisition costs	-378	-659	-183		-1 220
Operating expenses	-169	-89	-37		-295
Total expenses before interest expenses	-1 665	-2 056	-457	0	-4 178
Income/loss before interest and income tax expense	-111	-49	118	474	432
Interest expenses				-77	-77
Income/loss before income tax expense	-111	-49	118	397	355
Claims ratio in %	71.9	65.1	41.2		64.4
Expense ratio in %	35.2	37.3	38.3		36.6
Combined ratio in %	107.1	102.4	79.5		101.0

Property & Casualty Reinsurance business segment – by line of business

For the six months ended 30 June

2015 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	4 320	3 742	1 588		9 650
Net premiums written	4 152	3 726	1 539		9 417
Change in unearned premiums	-1 334	-447	-366		-2 147
Premiums earned	2 818	3 279	1 173		7 270
Net investment income				551	551
Net realised investment gains/losses				330	330
Other revenues				40	40
Total revenues	2 818	3 279	1 173	921	8 191
Expenses					
Claims and claim adjustment expenses	-1 286	-2 081	-529		-3 896
Acquisition costs	-602	-1 028	-317		-1 947
Operating expenses ^{1,2}	-319	-177	-80		-576
Total expenses before interest expenses	-2 207	-3 286	-926	0	-6 419
Income/loss before interest and income tax expense	611	-7	247	921	1 772
Interest expenses ¹				-140	-140
Income/loss before income tax expense	611	-7	247	781	1 632
Claims ratio in %	45.6	63.5	45.1		53.6
Expense ratio in %	32.7	36.7	33.8		34.7
Combined ratio in %	78.3	100.2	78.9		88.3

¹ Letter of credit fees of USD 7 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

² The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group Items from the Property & Casualty Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

2016 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	4 363	5 230	1 531		11 124
Net premiums written	4 151	5 215	1 517		10 883
Change in unearned premiums	-1 065	-1 384	-342		-2 791
Premiums earned	3 086	3 831	1 175		8 092
Net investment income				515	515
Net realised investment gains/losses				482	482
Other revenues				21	21
Total revenues	3 086	3 831	1 175	1 018	9 110
Expenses					
Claims and claim adjustment expenses	-1 872	-2 639	-526		-5 037
Acquisition costs	-709	-1 229	-319		-2 257
Operating expenses	-324	-179	-72		-575
Total expenses before interest expenses	-2 905	-4 047	-917	0	-7 869
Income/loss before interest and income tax expense	181	-216	258	1 018	1 241
Interest expenses				-146	-146
Income/loss before income tax expense	181	-216	258	872	1 095
Claims ratio in %	60.6	68.8	44.7		62.2
Expense ratio in %	33.5	36.8	33.3		35.0
Combined ratio in %	94.1	105.6	78.0		97.2

c) Life & Health Reinsurance business segment – by line of business

For the three months ended 30 June

2015 USD millions	Life	Health	Unallocated	Total ¹
Revenues				
Gross premium written	2 049	784		2 833
Net premiums written	1 718	742		2 460
Change in unearned premiums	26	43		69
Premiums earned	1 744	785		2 529
Fee income from policyholders	12			12
Net investment income – non-participating business	230	121		351
Net realised investment gains/losses – non-participating business	23	2	32	57
Net investment result – unit-linked and with-profit business	-34			-34
Other revenues	-2			-2
Total revenues	1 973	908	32	2 913
Expenses				
Life and health benefits	-1 383	-501		-1 884
Return credited to policyholders	30			30
Acquisition costs	-302	-187		-489
Operating expenses ^{2, 3}	-129	-57		-186
Total expenses before interest expenses	-1 784	-745	0	-2 529
Income before interest and income tax expense	189	163	32	384
Interest expenses ²			-78	-78
Income/loss before income tax expense	189	163	-46	306
Management expense ratio in %	6.5	6.3		6.4
Net operating margin ⁴ in %	9.4	18.0		13.0

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

² Letter of credit fees of USD 11 million in Life & Health Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

³ The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

⁴ Net operating margin is calculated as "Income/loss before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the three months ended 30 June

2016				
USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premium written	2 217	964		3 181
Net premiums written	1 874	940		2 814
Change in unearned premiums	19	15		34
Premiums earned	1 893	955		2 848
Fee income from policyholders	12			12
Net investment income – non-participating business	207	122		329
Net realised investment gains/losses – non-participating business	30	-2	62	90
Net investment result – unit-linked and with-profit business	-74			-74
Other revenues				0
Total revenues	2 068	1 075	62	3 205
Expenses				
Life and health benefits	-1 564	-743		-2 307
Return credited to policyholders	69			69
Acquisition costs	-319	-175		-494
Operating expenses	-119	-48		-167
Total expenses before interest expenses	-1 933	-966	0	-2 899
Income before interest and income tax expense	135	109	62	306
Interest expenses			-76	-76
Income/loss before income tax expense	135	109	-14	230
Management expense ratio in %	5.6	4.5		5.2
Net operating margin ¹ in %	6.3	10.1		9.3

¹ Net operating margin is calculated as "Income/loss before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the six months ended 30 June

2015 USD millions	Life	Health	Unallocated	Total ¹
Revenues				
Gross premium written	4 094	1 840		5 934
Net premiums written	3 463	1 776		5 239
Change in unearned premiums	-26	-92		-118
Premiums earned	3 437	1 684		5 121
Fee income from policyholders	27			27
Net investment income – non-participating business	446	239		685
Net realised investment gains/losses – non-participating business	33	1	182	216
Net investment result – unit-linked and with-profit business	41			41
Other revenues				0
Total revenues	3 984	1 924	182	6 090
Expenses				
Life and health benefits	-2 707	-1 151		-3 858
Return credited to policyholders	-53			-53
Acquisition costs	-607	-363		-970
Operating expenses ^{2, 3}	-263	-105		-368
Total expenses before interest expenses	-3 630	-1 619	0	-5 249
Income before interest and income tax expense	354	305	182	841
Interest expenses ²			-166	-166
Income before income tax expense	354	305	16	675
Management expense ratio in %	6.7	5.5		6.3
Net operating margin ⁴ in %	9.0	15.9		13.9

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

² Letter of credit fees of USD 22 million in Life & Health Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

³ The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

⁴ Net operating margin is calculated as "Income/loss before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the six months ended 30 June

2016		Life	Health	Unallocated	Total
USD millions					
Revenues					
Gross premium written		4 454	2 132		6 586
Net premiums written		3 809	2 086		5 895
Change in unearned premiums		-44	-180		-224
Premiums earned		3 765	1 906		5 671
Fee income from policyholders		24			24
Net investment income – non-participating business		425	237		662
Net realised investment gains/losses – non-participating business		30	-2	169	197
Net investment result – unit-linked and with-profit business		-137			-137
Other revenues		5			5
Total revenues		4 112	2 141	169	6 422
Expenses					
Life and health benefits		-2 949	-1 432		-4 381
Return credited to policyholders		129			129
Acquisition costs		-770	-364		-1 134
Operating expenses		-235	-97		-332
Total expenses before interest expenses		-3 825	-1 893	0	-5 718
Income before interest and income tax expense		287	248	169	704
Interest expenses				-154	-154
Income before income tax expense		287	248	15	550
Management expense ratio in %		5.6	4.5		5.2
Net operating margin ¹ in %		6.8	11.6		10.7

¹ Net operating margin is calculated as "Income/loss before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

3 Insurance information

Premiums earned and fees assessed against policyholders

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Premiums earned, thereof:					
Direct		10	677	298	985
Reinsurance	3 527	2 744	237	35	6 543
Intra-group transactions (assumed and ceded)	11	149	-11	-149	0
Premiums earned before retrocession to external parties					
	3 538	2 903	903	184	7 528
Retrocession to external parties	-35	-374	-60	-6	-475
Net premiums earned	3 503	2 529	843	178	7 053
Fee income from policyholders, thereof:					
Direct				57	57
Reinsurance		12		22	34
Net fee income	0	12	0	79	91

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Premiums earned, thereof:					
Direct		11	698	343	1 052
Reinsurance	4 164	3 046	228	35	7 473
Intra-group transactions (assumed and ceded)	12	160	-12	-160	0
Premiums earned before retrocession to external parties					
	4 176	3 217	914	218	8 525
Retrocession to external parties	-40	-369	-39	-40	-488
Net premiums earned	4 136	2 848	875	178	8 037
Fee income from policyholders, thereof:					
Direct				106	106
Reinsurance		12		23	35
Net fee income	0	12	0	129	141

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Premiums earned and fees assessed against policyholders

For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Premiums earned, thereof:					
Direct		20	1 381	596	1 997
Reinsurance	7 350	5 501	438	69	13 358
Intra-group transactions (assumed and ceded)	9	297	-9	-297	0
Premiums earned before retrocession to external parties					
	7 359	5 818	1 810	368	15 355
Retrocession to external parties	-89	-697	-85	-18	-889
Net premiums earned	7 270	5 121	1 725	350	14 466
Fee income from policyholders, thereof:					
Direct				167	167
Reinsurance		27		46	73
Net fee income	0	27	0	213	240

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Premiums earned, thereof:					
Direct		21	1 371	671	2 063
Reinsurance	8 136	6 023	486	67	14 712
Intra-group transactions (assumed and ceded)	32	321	-32	-321	0
Premiums earned before retrocession to external parties					
	8 168	6 365	1 825	417	16 775
Retrocession to external parties	-76	-694	-85	-71	-926
Net premiums earned	8 092	5 671	1 740	346	15 849
Fee income from policyholders, thereof:					
Direct				200	200
Reinsurance		24		45	69
Net fee income	0	24	0	245	269

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-2 542	-2 320	-512	-673	-39	-6 086
Intra-group transactions (assumed and ceded)	22	-107	-22	107		0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	-2 520	-2 427	-534	-566	-39	-6 086
	156	262	74	13		505
Net claims paid	-2 364	-2 165	-460	-553	-39	-5 581
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	563	261	-18	421	37	1 264
Intra-group transactions (assumed and ceded)	25	6	-25	-6		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	588	267	-43	415	37	1 264
	-158	14	-21	-4		-169
Net unpaid claims and claim adjustment expenses; life and health benefits	430	281	-64	411	37	1 095
Claims and claim adjustment expenses; life and health benefits	-1 934	-1 884	-524	-142	-2	-4 486

Acquisition costs

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-1 034	-536	-124	-43	-1 737
Intra-group transactions (assumed and ceded)	-5	-19	5	19	0
Acquisition costs before impact of retrocession to external parties					
Retrocession to external parties	-1 039	-555	-119	-24	-1 737
	9	66	9		84
Net acquisition costs	-1 030	-489	-110	-24	-1 653

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses

For the three months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Claims paid, thereof:					
Gross claims paid to external parties	-2 347	-2 443	-716	-934	-6 440
Intra-group transactions (assumed and ceded)	-260	-131	260	131	0
Claims before receivables from retrocession to external parties	-2 607	-2 574	-456	-803	-6 440
Retrocession to external parties	84	313	36	64	497
Net claims paid	-2 523	-2 261	-420	-739	-5 943
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	-289	-86	24	203	-148
Intra-group transactions (assumed and ceded)	264	-4	-264	4	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	-25	-90	-240	207	-148
Retrocession to external parties	-115	44	-18	-17	-106
Net unpaid claims and claim adjustment expenses; life and health benefits	-140	-46	-258	190	-254
Claims and claim adjustment expenses; life and health benefits	-2 663	-2 307	-678	-549	-6 197

Acquisition costs

For the three months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-1 229	-540	-141	-21	-1 931
Intra-group transactions (assumed and ceded)	-1	-14	1	14	0
Acquisition costs before impact of retrocession to external parties	-1 230	-554	-140	-7	-1 931
Retrocession to external parties	10	60	13	3	86
Net acquisition costs	-1 220	-494	-127	-4	-1 845

Claims and claim adjustment expenses

For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-4 475	-4 563	-1 045	-1 127	-39	-11 249
Intra-group transactions (assumed and ceded)	-65	-218	65	218		0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	-4 540	-4 781	-980	-909	-39	-11 249
	309	585	113	23		1 030
Net claims paid	-4 231	-4 196	-867	-886	-39	-10 219
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	505	335	76	368	37	1 321
Intra-group transactions (assumed and ceded)	163		-163			0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	668	335	-87	368	37	1 321
	-333	3	-43	-7		-380
Net unpaid claims and claim adjustment expenses; life and health benefits	335	338	-130	361	37	941
Claims and claim adjustment expenses; life and health benefits	-3 896	-3 858	-997	-525	-2	-9 278

Acquisition costs

For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-1 966	-1 055	-245	-86	-3 352
Intra-group transactions (assumed and ceded)	-5	-39	5	39	0
Acquisition costs before impact of retrocession to external parties					
Retrocession to external parties	-1 971	-1 094	-240	-47	-3 352
	24	124	12	1	161
Net acquisition costs	-1 947	-970	-228	-46	-3 191

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses

For the six months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Claims paid, thereof:					
Gross claims paid to external parties	-4 354	-5 420	-1 160	-1 758	-12 692
Intra-group transactions (assumed and ceded)	-306	-246	306	246	0
Claims before receivables from retrocession to external parties	-4 660	-5 666	-854	-1 512	-12 692
Retrocession to external parties	183	656	89	104	1 032
Net claims paid	-4 477	-5 010	-765	-1 408	-11 660
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	-788	622	9	410	253
Intra-group transactions (assumed and ceded)	410	-24	-410	24	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	-378	598	-401	434	253
Retrocession to external parties	-182	31	-5	-40	-196
Net unpaid claims and claim adjustment expenses; life and health benefits	-560	629	-406	394	57
Claims and claim adjustment expenses; life and health benefits	-5 037	-4 381	-1 171	-1 014	-11 603

Acquisition costs

For the six months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-2 266	-1 215	-272	-27	-3 780
Intra-group transactions (assumed and ceded)	-8	-34	8	34	0
Acquisition costs before impact of retrocession to external parties	-2 274	-1 249	-264	7	-3 780
Retrocession to external parties	17	115	25	5	162
Net acquisition costs	-2 257	-1 134	-239	12	-3 618

Reinsurance receivables

Reinsurance receivables as of 31 December 2015 and 30 June 2016 were as follows:

USD millions	2015	2016
Premium receivables invoiced	1 441	1 865
Receivables invoiced from ceded re/insurance business	201	262
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	171	107
Recognised allowance	-56	-60

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. In the six months ended 30 June 2015 and 2016, the relative percentage of participating insurance of the life and health policy benefits was 8% and 10%, respectively. The amount of policyholder dividend expense for the three months ended 30 June 2015 and 2016 was USD 34 million and USD 65 million, respectively. For the six months ended 30 June 2015 and 2016 was USD 58 million and USD 136 million, respectively.

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4 Premiums written

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Consolidation	Total
Gross premiums written, thereof:						
Direct		10	727	207		944
Reinsurance	3 392	2 719	280	35		6 426
Intra-group transactions (assumed)	58	104	37		-199	0
Gross premiums written	3 450	2 833	1 044	242	-199	7 370
Intra-group transactions (ceded)	-37		-58	-104	199	0
Gross premiums written before retrocession to external parties	3 413	2 833	986	138		7 370
Retrocession to external parties	-124	-373	-50	-6		-553
Net premiums written	3 289	2 460	936	132	0	6 817

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Consolidation	Total
Gross premiums written, thereof:						
Direct		11	783	250		1 044
Reinsurance	4 065	3 072	189	33		7 359
Intra-group transactions (assumed)	51	98	37		-186	0
Gross premiums written	4 116	3 181	1 009	283	-186	8 403
Intra-group transactions (ceded)	-37		-51	-98	186	0
Gross premiums written before retrocession to external parties	4 079	3 181	958	185		8 403
Retrocession to external parties	-144	-367	-33	-50		-594
Net premiums written	3 935	2 814	925	135	0	7 809

¹As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Consolidation	Total
Gross premiums written, thereof:						
Direct		20	1 258	700		1 978
Reinsurance	9 458	5 564	377	69		15 468
Intra-group transactions (assumed)	192	350	83		-625	0
Gross premiums written	9 650	5 934	1 718	769	-625	17 446
Intra-group transactions (ceded)	-83		-192	-350	625	0
Gross premiums written before retrocession to external parties						
	9 567	5 934	1 526	419		17 446
Retrocession to external parties	-150	-695	-84	-18		-947
Net premiums written	9 417	5 239	1 442	401	0	16 499

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Consolidation	Total
Gross premiums written, thereof:						
Direct		21	1 278	820		2 119
Reinsurance	10 934	6 206	473	66		17 679
Intra-group transactions (assumed)	190	359	62		-611	0
Gross premiums written	11 124	6 586	1 813	886	-611	19 798
Intra-group transactions (ceded)	-62		-190	-359	611	0
Gross premiums written before retrocession to external parties						
	11 062	6 586	1 623	527		19 798
Retrocession to external parties	-179	-691	-110	-137		-1 117
Net premiums written	10 883	5 895	1 513	390	0	18 681

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

5 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December 2015 and 30 June 2016, the DAC were as follows:

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Opening balance as of 1 January	1 756	2 723	360	1	4 840
Effect of change in Group structure ¹		-12		12	0
Deferred	4 132	1 018	486	35	5 671
Effect of acquisitions/disposals and retrocessions	7	2			9
Amortisation	-3 793	-560	-459	-34	-4 846
Effect of foreign currency translation	-51	-151		-1	-203
Closing balance	2 051	3 020	387	13	5 471

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Opening balance as of 1 January	2 051	3 020	387	13	5 471
Deferred	2 714	365	234	24	3 337
Amortisation	-2 232	-188	-237	-22	-2 679
Effect of foreign currency translation	38	-17	2		23
Closing balance	2 571	3 180	386	15	6 152

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

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 2015 and 30 June 2016, the PVFP was as follows:

2015 USD millions	Life & Health Reinsurance	Positive PVFP	Negative PVFP	Life Capital Total	Total
	Opening balance as of 1 January	1 294	2 003	0	2 003
Effect of acquisitions/disposals and retrocessions		2		2	2
Amortisation	-159	-191		-191	-350
Interest accrued on unamortised PVFP	40	84		84	124
Effect of foreign currency translation	-41	-77		-77	-118
Effect of change in unrealised gains/losses		9		9	9
Closing balance	1 134	1 830	0	1 830	2 964

2016 USD millions	Life & Health Reinsurance	Positive PVFP	Negative PVFP	Life Capital Total	Total
	Opening balance as of 1 January	1 134	1 830	0	1 830
Effect of acquisitions/disposals and retrocessions			-633	-633	-633
Amortisation	-68	-51	26	-25	-93
Interest accrued on unamortised PVFP	17	61	-7	54	71
Effect of foreign currency translation	-37	-117	36	-81	-118
Effect of change in unrealised gains/losses		-3		-3	-3
Closing balance	1 046	1 720	-578	1 142	2 188

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.

In the first quarter 2016, the Group's Business Unit Life Capital acquired Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian"), and recognised negative PVFP. Upon acquisition, PVFP is calculated as the difference between the estimated fair value and established reserves, which are in line with US GAAP accounting policies and assumptions of the Group. The product mix of Guardian is weighted towards annuity business, for which the fair value of insurance and investment contract liabilities significantly exceeds the established US GAAP reserves. This excess is mainly due to differences in discount rates and risk weightings between fair value and US GAAP estimates. Overall, the excess on the annuity business outweighs the estimated future gross profits of other business and synergy expectations included in the fair value of insurance and investment contract liabilities for the business as a whole, resulting in a negative PVFP.

The subsequent measurement of negative PVFP is in alignment with the existing measurement of positive PVFP assets (please refer to Note 1 in the Swiss Re Group's audited financial statements for the year ended 31 December 2015).

6 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) for the periods ended 30 June was as follows:

USD millions	Three months ended 30 June		Six months ended 30 June	
	2015	2016	2015	2016
Fixed income securities	626	727	1 276	1 419
Equity securities	36	28	50	48
Policy loans, mortgages and other loans	31	41	63	89
Investment real estate	37	45	73	89
Short-term investments	22	12	45	31
Other current investments	27	28	63	85
Share in earnings of equity-accounted investees	86	-22	106	-9
Cash and cash equivalents	8	6	19	15
Net result from deposit-accounted contracts	28	55	49	70
Deposits with ceding companies	78	113	214	229
Gross investment income	979	1 033	1 958	2 066
Investment expenses	-76	-99	-162	-194
Interest charged for funds held	-5	-4	-8	-8
Net investment income – non-participating business	898	930	1 788	1 864

Dividends received from investments accounted for using the equity method were USD 53 million and USD 26 million for the three months ended 30 June 2015 and 2016, respectively, as well as USD 133 million and USD 80 million for the six months ended 30 June 2015 and 2016, respectively.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) for the periods ended 30 June were as follows:

USD millions	Three months ended 30 June		Six months ended 30 June	
	2015	2016	2015	2016
Fixed income securities available-for-sale:				
Gross realised gains	145	247	526	531
Gross realised losses	-119	-27	-159	-161
Equity securities available-for-sale:				
Gross realised gains	164	83	241	146
Gross realised losses	-8	-21	-24	-74
Other-than-temporary impairments	-6	-27	-11	-60
Net realised investment gains/losses on trading securities	2	50	41	104
Change in net unrealised investment gains/losses on trading securities	-17	35	10	99
Net realised/unrealised gains/losses on other investments	197	16	114	25
Net realised/unrealised gains/losses on insurance-related activities	50	157	85	404
Foreign exchange gains/losses	-80	-52	64	139
Net realised investment gains/losses – non-participating business	328	461	887	1 153

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 for the periods ended 30 June was as follows:

USD millions	Three months ended 30 June				Six months ended 30 June			
	Unit-linked	2015 With-profit	Unit-linked	2016 With-profit	Unit-linked	2015 With-profit	Unit-linked	2016 With-profit
Investment income – fixed income securities	21	19	26	37	42	41	53	72
Investment income – equity securities	143	7	238	10	282	15	405	34
Investment income – other	7	4	5	2	16	9	11	6
Total investment income – unit-linked and with-profit business	171	30	269	49	340	65	469	112
Realised gains/losses – fixed income securities	-74	-84	99	113	-47	-52	174	178
Realised gains/losses – equity securities	-786	-39	1 063	85	341	12	1 054	108
Realised gains/losses – other	9	5	40	1	9	5	33	-4
Total realised gains/losses – unit-linked and with-profit business	-851	-118	1 202	199	303	-35	1 261	282
Total net investment result – unit-linked and with-profit business	-680	-88	1 471	248	643	30	1 730	394

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 for the six months ended 30 June was as follows:

USD millions	2015	2016
Balance as of 1 January	137	136
Credit losses for which an other-than-temporary impairment was not previously recognised		13
Reductions for securities sold during the period	-16	-33
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	4	8
Impact of increase in cash flows expected to be collected	-5	-4
Impact of foreign exchange movements	-1	-2
Balance as of 30 June	119	118

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 2015 and 30 June 2016 were as follows:

2015 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	12 212	612	-92		12 732
US Agency securitised products	2 937	29	-28		2 938
States of the United States and political subdivisions of the states	1 236	55	-10		1 281
United Kingdom	7 514	773	-54		8 233
Canada	3 943	520	-38		4 425
Germany	2 920	239	-31		3 128
France	2 065	223	-18		2 270
Other	7 818	262	-146		7 934
Total	40 645	2 713	-417		42 941
Corporate debt securities	30 540	1 448	-530	-11	31 447
Mortgage- and asset-backed securities	4 970	118	-38	-3	5 047
Fixed income securities available-for-sale	76 155	4 279	-985	-14	79 435
Equity securities available-for-sale	4 294	632	-207		4 719
2016					
2016 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	11 835	1 131	-1		12 965
US Agency securitised products	3 911	77	-7		3 981
States of the United States and political subdivisions of the states	1 351	146	-3		1 494
United Kingdom	9 262	1 729	-14		10 977
Canada	4 134	746	-15		4 865
Germany	2 955	501	-4		3 452
France	2 024	428	-1		2 451
Other	8 723	534	-41		9 216
Total	44 195	5 292	-86		49 401
Corporate debt securities	39 232	3 131	-110		42 253
Mortgage- and asset-backed securities	5 389	187	-23	-6	5 547
Fixed income securities available-for-sale	88 816	8 610	-219	-6	97 201
Equity securities available-for-sale	3 694	493	-159		4 028

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 2015 and 30 June 2016 were as follows:

USD millions	2015	2016
Debt securities issued by governments and government agencies	2 710	3 171
Corporate debt securities	52	44
Mortgage- and asset-backed securities	134	123
Fixed income securities trading – non-participating business	2 896	3 338
Equity securities trading – non-participating business	68	52

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 2015 and 30 June 2016 were as follows:

USD millions	2015		2016	
	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 410	1 659	2 590	3 150
Equity securities trading	21 894	889	24 190	2 062
Investment real estate	691	366	623	320
Other	332		538	97
Total investments for unit-linked and with-profit business	25 327	2 914	27 941	5 629

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 2015 and 30 June 2016, USD 12 725 million and USD 15 751 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2015		2016	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	4 874	4 911	5 965	6 007
Due after one year through five years	19 370	19 671	20 793	21 366
Due after five years through ten years	16 577	17 101	19 787	21 256
Due after ten years	30 611	32 952	37 138	43 282
Mortgage- and asset-backed securities with no fixed maturity	4 723	4 800	5 133	5 290
Total fixed income securities available-for-sale	76 155	79 435	88 816	97 201

Assets pledged

As of 30 June 2016, investments with a carrying value of USD 7 739 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 13 993 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2015 and 30 June 2016, securities of USD 15 828 million and USD 17 055 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 995 million and USD 2 020 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 30 June 2016, a real estate portfolio with a carrying value of USD 226 million serves as collateral for a credit facility allowing the Group to withdraw funds up to CHF 650 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2015 and 30 June 2016, the fair value of the equity securities, the government and corporate debt securities received as collateral was USD 7 030 million and USD 6 821 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2015 and 30 June 2016 was USD 2 429 million and USD 3 357 million, respectively. The sources of the collateral are securities borrowing, 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 2015 and 30 June 2016 was as follows:

2015 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	2 713	-1 953	760	-13	747
Reverse repurchase agreements	6 401	-3 000	3 401	-3 394	7
Securities borrowing	452		452	-452	0
Total	9 566	-4 953	4 613	-3 859	754

2015 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	-2 179	1 477	-702	81	-621
Repurchase agreements	-2 844	2 475	-369	369	0
Securities lending	-1 151	525	-626	582	-44
Total	-6 174	4 477	-1 697	1 032	-665

2016 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	3 791	-2 544	1 247		1 247
Reverse repurchase agreements	6 320	-3 311	3 009	-3 009	0
Securities borrowing					0
Total	10 111	-5 855	4 256	-3 009	1 247

2016 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	-3 630	2 348	-1 282	106	-1 176
Repurchase agreements	-3 457	2 786	-671	672	1
Securities lending	-1 874	525	-1 349	1 211	-138
Total	-8 961	5 659	-3 302	1 989	-1 313

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 it has been 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 accordingly in "Other invested assets", "Investments for unit-linked and with-profit business" and "Accrued expenses and other liabilities".

Recognised gross liability for the obligation to return collateral that the Group has the right to sell or repledge

As of 31 December 2015 and 30 June 2016, the gross amounts of liabilities related to repurchase agreements and securities lending by the class of securities transferred to third parties and by the remaining maturity are shown below. The liabilities are recognised for the obligation to return collateral that the Group has the right to sell or repledge.

2015 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
Repurchase agreements					
Debt securities issued by governments and government agencies	370	2 136	176	135	2 817
Corporate debt securities	3	24			27
Total repurchase agreements	373	2 160	176	135	2 844
Securities lending					
Debt securities issued by governments and government agencies	217		501	433	1 151
Total securities lending	217	0	501	433	1 151
Gross amount of recognised liabilities for repurchase agreements and securities lending					3 995

2016 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
Repurchase agreements					
Debt securities issued by governments and government agencies	393	2 751	135	152	3 431
Corporate debt securities		26			26
Total repurchase agreements	393	2 777	135	152	3 457
Securities lending					
Debt securities issued by governments and government agencies	278	16	694	760	1 748
Corporate debt securities	6		105		111
Equity securities	15				15
Total securities lending	299	16	799	760	1 874
Gross amount of recognised liabilities for repurchase agreements and securities lending					5 331

The programme is structured in a conservative manner within a clearly defined risk framework. Yield enhancement is conducted on a non-cash basis, thereby taking no reinvestment risk.

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 2015 and 30 June 2016. As of 31 December 2015 and 30 June 2016, USD 161 million and USD 134 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 46 million and USD 25 million, respectively, to decline in value for more than 12 months.

2015 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	5 993	91	11	1	6 004	92
US Agency securitised products	1 503	23	223	5	1 726	28
States of the United States and political subdivisions of the states	325	9	6	1	331	10
United Kingdom	1 551	52	56	2	1 607	54
Canada	976	14	96	24	1 072	38
Germany	860	25	131	6	991	31
France	502	13	23	5	525	18
Other	3 113	111	202	35	3 315	146
Total	14 823	338	748	79	15 571	417
Corporate debt securities	11 246	481	365	60	11 611	541
Mortgage- and asset-backed securities	2 419	32	225	9	2 644	41
Total	28 488	851	1 338	148	29 826	999

2016 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	357	1			357	1
US Agency securitised products	438	5	188	2	626	7
States of the United States and political subdivisions of the states	43	2	11	1	54	3
United Kingdom	844	10	49	4	893	14
Canada	754	2	72	13	826	15
Germany	247	3	161	1	408	4
France	147	1			147	1
Other	1 336	21	359	20	1 695	41
Total	4 166	45	840	41	5 006	86
Corporate debt securities	2 987	97	228	13	3 215	110
Mortgage- and asset-backed securities	885	19	234	10	1 119	29
Total	8 038	161	1 302	64	9 340	225

Mortgages, loans and real estate

As of 31 December 2015 and 30 June 2016, 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	2015	2016
Policy loans	91	89
Mortgage loans	1 946	2 420
Other loans	1 086	1 218
Investment real estate	1 556	1 841

The fair value of mortgage loans as of 31 December 2015 and 30 June 2016 was USD 1 946 million and USD 2 473 million, respectively. The fair value of other loans as of 31 December 2015 and 30 June 2016 was USD 1 086 million and USD 1 239 million, respectively. The fair value of the real estate as of 31 December 2015 and 30 June 2016 was USD 3 211 million and USD 3 546 million, respectively. The carrying value of policy loans approximates fair value.

Depreciation expense related to income-producing properties was USD 15 million and USD 20 million for the six months ended 30 June 2015 and 2016, respectively. Accumulated depreciation on investment real estate totalled USD 504 million and USD 524 million as of 31 December 2015 and 30 June 2016, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

7 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 the six months ended 30 June 2016, 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. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (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, judgements 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 include 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 level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Valuation of direct private equity investments requires significant management judgement 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 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). These investments are included under investments measured at net asset value as a practical expedient.

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 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 judgements 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 utilise 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 Asset Valuation Committee, endorsed by the Group Executive Committee, 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 Asset Valuation 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 the 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.

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Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2015 and 30 June 2016, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2015 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	12 900	69 038	393		82 331
Debt securities issued by US government and government agencies	12 900	1 922			14 822
US Agency securitised products		2 952			2 952
Debt securities issued by non-US governments and government agencies		27 877			27 877
Corporate debt securities		31 119	380		31 499
Mortgage- and asset-backed securities		5 168	13		5 181
Fixed income securities backing unit-linked and with-profit business		4 069			4 069
Equity securities held for proprietary investment purposes	4 753		34		4 787
Equity securities backing unit-linked and with-profit business	22 783				22 783
Short-term investments held for proprietary investment purposes	3 438	3 967			7 405
Short-term investments backing unit-linked and with-profit business		64			64
Derivative financial instruments	25	2 241	447	-1 953	760
Interest rate contracts	6	1 300			1 306
Foreign exchange contracts		318			318
Equity contracts	16	617	334		967
Credit contracts		1	1		2
Other contracts	3	5	112		120
Other invested assets	579	50	1 595		2 224
Funds held by ceding companies		245			245
Total assets at fair value	44 478	79 674	2 469	-1 953	124 668
Liabilities					
Derivative financial instruments	-24	-1 574	-581	1 477	-702
Interest rate contracts	-5	-786			-791
Foreign exchange contracts		-201			-201
Equity contracts	-12	-582	-38		-632
Credit contracts			-19		-19
Other contracts	-7	-5	-524		-536
Liabilities for life and health policy benefits			-165		-165
Accrued expenses and other liabilities	-812	-2 524			-3 336
Total liabilities at fair value	-836	-4 098	-746	1 477	-4 203

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.

2016 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	Investments measured at net asset value as practical expedient	Total
Assets						
Fixed income securities held for proprietary investment purposes	12 689	86 606	1 244			100 539
Debt securities issued by US government and government agencies	12 689	2 187				14 876
US Agency securitised products		4 146				4 146
Debt securities issued by non-US governments and government agencies		33 550				33 550
Corporate debt securities		41 066	1 231			42 297
Mortgage- and asset-backed securities		5 657	13			5 670
Fixed income securities backing unit-linked and with-profit business		5 740				5 740
Equity securities held for proprietary investment purposes	4 075		5			4 080
Equity securities backing unit-linked and with-profit business	26 252					26 252
Short-term investments held for proprietary investment purposes	4 273	5 033				9 306
Derivative financial instruments	15	3 224	552	-2 544		1 247
Interest rate contracts	6	2 132				2 138
Foreign exchange contracts	2	626				628
Equity contracts	5	465	443			913
Credit contracts		1				1
Other contracts	2		109			111
Investment real estate			237			237
Other invested assets	764	547	476		977	2 764
Other investments backing unit-linked and with-profit business		344				344
Funds held by ceding companies		222				222
Total assets at fair value	48 068	101 716	2 514	-2 544	977	150 731
Liabilities						
Derivative financial instruments	-26	-2 620	-984	2 348		-1 282
Interest rate contracts	-8	-1 581				-1 589
Foreign exchange contracts		-480				-480
Equity contracts	-11	-559	-52			-622
Credit contracts			-16			-16
Other contracts	-7		-916			-923
Liabilities for life and health policy benefits			-177			-177
Accrued expenses and other liabilities	-1 045	-4 037				-5 082
Total liabilities at fair value	-1 071	-6 657	-1 161	2 348	0	-6 541

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.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December 2015 and 30 June 2016, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2015 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	401	39	521	1 812	2 773	-757	-187	-944
Realised/unrealised gains/losses:								
Included in net income	4		-12	-2	-10	190	22	212
Included in other comprehensive income	-14	-5		-42	-61			0
Purchases	31		30	156	217			0
Issuances					0	-90		-90
Sales	-47		-21	-380	-448	15		15
Settlements	-46		-79		-125	62		62
Transfers into level 3 ¹	65		8	70	143	-1		-1
Transfers out of level 3 ¹					0			0
Impact of foreign exchange movements	-1			-19	-20			0
Closing balance as of 31 December	393	34	447	1 595	2 469	-581	-165	-746

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2016 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities									
Balance as of 1 January	393	34	447		1 595	2 469	-581	-165	-746
Impact of Accounting Standards Updates ²				274	-1 120	-846	-207		-207
Realised/unrealised gains/losses:									
Included in net income	3		134	29	-46	120	-251	-13	-264
Included in other comprehensive income	47	2			5	54			0
Purchases	532		1		39	572			0
Issuances						0	-36		-36
Sales	-36		-14	-48	-3	-101	99		99
Settlements	-9		-22			-31	-17		-17
Transfers into level 3 ¹	321		6		12	339	-5		-5
Transfers out of level 3 ¹		-29				-29			0
Impact of foreign exchange movements	-7	-2		-18	-6	-33	14	1	15
Closing balance as of 30 June	1 244	5	552	237	476	2 514	-984	-177	-1 161

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

² Impact of ASU 2015 – 02 and ASU 2015 – 07. Please refer to Note 1 for more details.

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 six months ended 30 June were as follows:

USD millions	2015	2016
Gains/losses included in net income for the period	194	-144
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	69	-208

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 2015 and 30 June 2016 were as follows:

USD millions	2015 Fair value	2016 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	380	1 231			
Private placement corporate debt	241	581	Corporate Spread Matrix	Credit spread	60 bps–689 bps (222 bps)
Infrastructure loans	86	439	Discounted Cash Flow Model	Valuation spread	140 bps–202 bps (172 bps)
Private placement credit tenant leases	51	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Derivative equity contracts	334	443			
OTC equity option referencing correlated equity indices	334	443	Proprietary Option Model	Correlation	–50%–100% (25%) ¹
Investment real estate		237	Discounted Cash Flow Model	Discount rate due to lifetime lease	5% per annum
Liabilities					
Derivative equity contracts	–38	–52			
OTC equity option referencing correlated equity indices	–38	–52	Proprietary Option Model	Correlation	–50%–100% (25%) ¹
Other derivative contracts and liabilities for life and health policy benefits	–689	–1 093			
Variable annuity and fair valued GMDB contracts	–567	–851	Discounted Cash Flow Model	Risk margin Volatility Lapse Mortality adjustment Withdrawal rate	4% (n.a.) 4%–42% 0.5%–33% –10%–0% 0%–90%
Swap liability referencing real estate investments		–185	Discounted Cash Flow Model	Discount rate due to lifetime lease	5% per annum
Weather contracts	–82	–17	Proprietary Option Model	Risk Margin Correlation Volatility (power/gas) Volatility (temperature) Index value (temperature)	8%–11% (11%) 25%–43% (41.6%) 25%–41% (39.3%) 10–462 (163) HDD/CAT ² 910–3896 (2327) HDD/CAT ²

¹ Represents average input value for the reporting period.² Heating Degree Days (HDD); Cumulative Average Temperature (CAT).

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 is credit spread. 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 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 infrastructure loan is valuation spread. 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 input used in the fair value measurement of the Group's investment real estate and swap liability referencing real estate investment is the rate used to discount future property sales to reflect lifetime lease on residential properties. 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 used in the fair value measurement of the Group's weather contracts are risk margin, correlation, volatility and index value. Where the Group has a long position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a long volatility or correlation position, a significant increase (decrease) in the correlation and volatility inputs would result in a significantly higher (lower) fair value measurement. Where the Group has a long index position, an increase (decrease) in the index value input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a short position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly lower (higher) fair value measurement. Where the Group has a short volatility or correlation position a significant increase (decrease) in the correlation and volatility inputs would result in a significantly lower (higher) fair value measurement. Where the Group has a short index position, an increase (decrease) in the index value input in isolation would result in a significantly lower (higher) fair value measurement.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December 2015 and 30 June 2016, respectively, were as follows:

USD millions	2015 Fair value	2016 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	686	582	133	non-redeemable	n.a.
Hedge funds	135	102		redeemable ¹	45–95 days ²
Private equity direct	121	67		non-redeemable	n.a.
Real estate funds	203	226	62	non-redeemable	n.a.
Total	1 145	977	195		

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:

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.

Funds held by ceding companies

For operational efficiencies, the Group elected the fair value option for funds held by the cedent under three of its reinsurance agreements. The assets are carried at fair value and changes in fair value are reported as a component of earnings.

Other investments backing unit-linked and with-profit business

For operational efficiencies, the Group elected the fair value option for equity linked deposits from one of its unit-linked businesses. The assets are carried at fair value and changes in fair value are reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item is included under "Investments for unit-linked and with-profit business".

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.

Other derivative liabilities

For operational efficiencies, the Group elected the fair value option on a hybrid financial instrument, where the host contract is a debt instrument and the embedded derivative is pegged to the performance of the fund's real estate portfolio. The liability is carried at fair value and changes in fair value are reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item is included under "Accrued expenses and other liabilities".

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 2015 and 30 June 2016 were as follows:

USD millions	2015	2016
Assets		
Other invested assets	10 367	10 549
of which at fair value pursuant to the fair value option	449	427
Funds held by ceding companies	9 870	8 328
of which at fair value pursuant to the fair value option	245	222
Investments for unit-linked and with-profit business		33 570
of which at fair value pursuant to the fair value option		344
Liabilities		
Liabilities for life and health policy benefits	-30 131	-44 039
of which at fair value pursuant to the fair value option	-165	-177
Accrued expenses and other liabilities		-11 966
of which at fair value pursuant to the fair value option		-185

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 six months ended 30 June were as follows:

USD millions	2015	2016
Other invested assets		-43
Funds held by ceding companies	6	3
Investments for unit-linked and with-profit business		5
Liabilities for life and health policy benefits	28	-12
Accrued expenses and other liabilities		8
Total	34	-39

Fair value changes from other invested assets and funds held by ceding companies are reported in "Net investment income – non-participating business". Fair value changes from investments for unit-linked and with-profit business are reported in "Net investment result unit-linked and with-profit". Fair value changes from accrued expenses and other liabilities are reported in "Net realised investment gains/losses – 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 2015 and 30 June 2016, were as follows:

2015 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		91	91
Mortgage loans		1 946	1 946
Other loans		1 086	1 086
Investment real estate		3 211	3 211
Total assets	0	6 334	6 334

Liabilities

Debt	-8 681	-5 674	-14 355
Total liabilities	-8 681	-5 674	-14 355

2016 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		89	89
Mortgage loans		2 473	2 473
Other loans		1 239	1 239
Investment real estate		3 309	3 309
Total assets	0	7 110	7 110
Liabilities			
Debt	-8 551	-5 600	-14 151
Total liabilities	-8 551	-5 600	-14 151

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. Some of these positions need to be assessed in conjunction with the corresponding insurance business, whilst the fair value of some other positions do not differ materially from the carrying amount. Considering these circumstances for these positions, the Group presents the carrying amount as an approximation for the fair value. For certain commercial mortgage loans and infrastructure loans, which are included in mortgage loans and other loans respectively, the fair value can be estimated using discounted cash flow models which are based on discount curves and spread inputs that require management's judgement.

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.

8 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 2015 and 30 June 2016, the fair values and notional amounts of the derivatives outstanding were as follows:

2015 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	63 485	1 306	-791	515
Foreign exchange contracts	14 230	281	-201	80
Equity contracts	16 374	967	-632	335
Credit contracts	188	2	-19	-17
Other contracts	18 113	120	-536	-416
Total	112 390	2 676	-2 179	497
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 151	37		37
Total	2 151	37	0	37
Total derivative financial instruments	114 541	2 713	-2 179	534
Amount offset				
Where a right of set-off exists		-1 162	1 162	
Due to cash collateral		-791	315	
Total net amount of derivative financial instruments		760	-702	58

2016 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	80 143	2 138	-1 589	549
Foreign exchange contracts	21 659	393	-461	-68
Equity contracts	15 612	913	-622	291
Credit contracts	194	1	-16	-15
Other contracts	17 751	111	-923	-812
Total	135 359	3 556	-3 611	-55
Derivatives designated as hedging instruments				
Foreign exchange contracts	9 362	235	-19	216
Total	9 362	235	-19	216
Total derivative financial instruments	144 721	3 791	-3 630	161
Amount offset				
Where a right of set-off exists		-1 755	1 755	
Due to cash collateral		-789	593	
Total net amount of derivative financial instruments		1 247	-1 282	-35

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 2015 and 30 June 2016.

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. The gains and losses of derivative financial instruments not designated as hedging instruments for the periods ended 30 June were as follows:

USD millions	Three months ended 30 June		Six months ended 30 June	
	2015	2016	2015	2016
Derivatives not designated as hedging instruments				
Interest rate contracts	33	274	3	733
Foreign exchange contracts	23	-90	242	22
Equity contracts	-51	76	-153	-71
Credit contracts	-2		-3	1
Other contracts	170	-126	223	-222
Total gains/losses recognised in income	173	134	312	463

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 30 June 2016, 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. 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. The gains and losses attributable to the hedged risks for the periods ended 30 June were as follows:

2015 USD millions	Three months ended 30 June		Six months ended 30 June	
	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	-36	36	83	-83
Total gains/losses recognised in income	-36	36	83	-83

2016 USD millions	Three months ended 30 June		Six months ended 30 June	
	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	251	-251	46	-46
Total gains/losses recognised in income	251	-251	46	-46

Cash flow hedges

The Group entered into a cross-currency swap to reduce the exposure to foreign exchange and interest rate volatility for a long-term debt instrument issued in the second quarter of 2016. These derivative instruments are designated as cash flow hedging instruments.

For the six months ended 30 June 2016, the Group recorded a gain of USD 43 million on derivatives in accumulated other comprehensive income. For the six months ended 30 June 2016, the Group reclassified a gain of USD 55 million from accumulated other comprehensive income into income.

As of 30 June 2016, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was 7 years.

The Group believes that the net gains and losses associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income within the next twelve months cannot be reasonably estimated as they relate to foreign exchange volatility.

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 year ended 31 December 2015 and the six months ended 30 June 2016, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 1 631 million and a gain of USD 1 853 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 2015 and 30 June 2016 was approximately USD 1 551 million and USD 2 036 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

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 106 million and USD 98 million as of 31 December 2015 and 30 June 2016, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil as of 31 December 2015 and 30 June 2016, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 98 million additional collateral would have had to be posted as of 30 June 2016. The total equals the amount needed to settle the instruments immediately as of 30 June 2016.

9 Acquisitions

IHC Risk Solutions, LLC

On 31 March 2016, the Group acquired IHC Risk Solutions, LLC (IHC), a leading US employer stop loss company and the direct employer stop loss business of Independence Holding Company. The cost of the acquisition was USD 153 million. The transaction includes IHC's operations, its team of experts and business portfolio, including in-force, new and renewal business and is reflected in the Corporate Solutions Business Unit results. This acquisition broadens the Group's current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment.

Qualifying purchased intangible assets, including distribution /customer relationships and goodwill, have been established.

The following table presents details of acquired intangible assets subject to amortisation as of the date of acquisition:

USD millions	Amortisation period	Carrying value
Distribution/customer relationship	6 years	67
Other intangibles	1 year	16

The goodwill of USD 65 million relates to the Corporate Solutions Business Unit. The goodwill is expected to be deductible for tax purposes.

Guardian Holdings Europe Limited

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven. Guardian provides insurance solutions to financial institutions and insurance companies, either through the acquisition of closed books of business or through entering reinsurance agreements with its customers.

The transaction has further demonstrated progress against the strategy of the Group's Business Unit Life Capital (formerly Admin Re[®]) as a leading closed life book consolidator in the UK, adding approximately 900,000 policies including a mixture of annuities, life insurance and pensions. As a result, the policyholder and asset base of the Group has expanded and Life Capital has diversified its current business mix, with a total of approximately four million policies under administration.

The results of the operations of Guardian have been included in the Group's consolidated financial statements since 6 January 2016. For the period 6 January until 30 June 2016, Guardian generated USD 1 095 million in revenues (including net investment result – unit-linked and with-profit business of USD 365 million) and USD 460 million in net income for the Group.

Determination and allocation of the purchase price

The total cost of acquisition as of 6 January 2016 was USD 2.3 billion in cash, paid in the form of the following components:

USD millions	2016
Share purchase	1 211
Debt repayment	1 118
Total cost of acquisition	2 329
Goodwill	153
Total net assets acquired	2 176

Notes to the Group financial statements (unaudited)

The purchase price has been allocated based on estimated fair values of assets acquired and liabilities assumed as of the date of acquisition. The allocation required significant judgement. The estimated fair values of assets acquired and liabilities assumed as of the date of the acquisition were as follows:

USD millions	2016
Assets	
Fixed income securities	11 321
Equity securities	1
Policy loans, mortgages and other loans	1 240
Short-term investments	117
Other invested assets	590
Investments for unit-linked and with-profit business	8 023
Total investments	21 292
Cash and cash equivalents	2 775
Accrued investment income	265
Premiums and other receivables	39
Reinsurance recoverable ¹	1 676
Negative acquired present value of future profits	-641
Deferred tax assets	119
Other assets	11
Total assets acquired	25 536
Liabilities	
Unpaid claims and claims adjustment expenses	56
Liabilities for life and health policy benefits ¹	16 460
Policyholder account balances	6 157
Reinsurance balances payable	9
Income taxes payable	6
Deferred and other non-current tax liabilities	294
Accrued expenses and other liabilities	378
Total liabilities assumed	23 360
Total net assets acquired	2 176

¹ Due to new information obtained, based on facts and circumstances existing as of the date of acquisition, reinsurance recoverable and liabilities for life and health policy benefits have been adjusted in Q2 2016 with no impact on goodwill. As of Q1 2016, the estimated reinsurance recoverable and liabilities for life and health policy benefits were USD 1 751 million and USD 16 535 million, respectively.

Intangible assets

Historical intangible assets including goodwill have been eliminated. The Group has established negative acquired PVFP, which qualifies as a purchased intangible liability, and goodwill.

The negative PVFP of USD 641 million is amortised over a weighted average amortisation period of 12 years. The residual amount is expected to be nil.

The goodwill of USD 153 million recognised upon acquisition is attributed to the Life Capital Business Unit. It is mainly the result of synergies, which the Group expects to receive from cost savings, capital savings and asset allocation management actions. These do not qualify for separate recognition. The recorded goodwill is not expected to be deductible for tax purposes and, as of 30 June 2016, remained unchanged at constant foreign exchange rates.

Receivables

Receivables acquired consisted of the following:

2016 USD millions	Gross	
	Fair value	contractual amount
Receivables from ceded re/insurance business	39	39
Other debtors	15	15
Total	54	54

The receivables are expected to be collectible.

Pro forma financial information (unaudited)

The following table shows the Group's unaudited pro forma consolidated financial information for the three months ended 30 June and the six months ended 30 June, assuming that the acquisition had occurred on 1 January 2015:

2015 USD millions	Three months ended	Six months ended
	30 June	30 June
Total revenues	7 330	18 773
Net income	662	2 306

The pro forma information for the period 1 January 2016 to 5 January 2016 is immaterial.

The pro forma financial information are presented for informational purposes and in order to illustrate the financial effect on the Group's income statement only. Consequently, they neither reflect the results that would have occurred had the acquisition been closed on the assumed date, nor necessarily indicate future results.

10 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. For subordinated debt positions maturity is defined as the first optional redemption date (notwithstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

The Group's debt as of 31 December 2015 and 30 June 2016 was as follows:

USD millions	2015	2016
Senior financial debt		
Senior operational debt	765	475
Subordinated financial debt	1 069	558
Short-term debt – financial and operational debt	1 834	1 033
Senior financial debt	3 688	4 485
Senior operational debt	467	423
Subordinated financial debt	4 103	3 519
Subordinated operational debt	2 720	2 476
Long-term debt – financial and operational debt	10 978	10 903
Total carrying value	12 812	11 936
Total fair value	14 355	14 151

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 2015 and 30 June 2016, debt related to operational leverage and financial intermediation amounted to USD 4.0 billion (thereof USD 3.0 billion limited- or non-recourse) and USD 3.4 billion (thereof USD 2.5 billion limited- or non-recourse), respectively.

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the periods ended 30 June was as follows:

USD millions	Three months ended 30 June		Six months ended 30 June	
	2015	2016	2015	2016
Senior financial debt	29	31	59	60
Senior operational debt	3	2	6	5
Subordinated financial debt	66	48	139	97
Subordinated operational debt	34	32	68	64
Total	132	113	272	226

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 17 million and USD 17 million for the three months ended 30 June 2015 and 2016, respectively, and USD 34 million and USD 34 million for the six months ended 30 June 2015 and 2016, respectively.

Long-term debt issued in 2016

In May 2016, Swiss Re Admin Re Ltd issued senior notes due 2023. The notes have a face value of EUR 750 million, with a fixed coupon of 1.375% per annum.

Subordinated debt facilities established in 2016

In April 2016, Swiss Re Ltd established a subordinated debt facility with a termination date of 15 February 2031. The facility allows Swiss Re Ltd to issue at any time subordinated fixed rate callable notes with a face value of up to USD 400 million, having a first optional redemption date of 15 February 2031 and a scheduled maturity date of 15 February 2056. Swiss Re Ltd pays a fee of 3.92% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 6.05% per annum.

In June 2016, Swiss Re Ltd established a subordinated debt facility with a termination date of 15 August 2027. The facility allows Swiss Re Ltd to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 800 million, having a first optional redemption date of 15 August 2027 and a scheduled maturity date of 15 August 2052. Swiss Re Ltd pays a fee of 3.67% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.625% per annum until the first optional redemption date and a floating rate coupon thereafter.

In these financial statements, the facility fees are classified as interest expense. Notes, when issued under these facilities, will be classified as subordinated debt. As of 30 June 2016, no notes have been issued under either facility.

11 Earnings per share

Earnings per share for the periods ended 30 June were as follows:

USD millions (except share data)	Three months ended 30 June		Six months ended 30 June	
	2015	2016	2015	2016
Basic earnings per share				
Net income	843	659	2 300	1 902
Non-controlling interests	-6	-5	-6	-2
Interest on contingent capital instruments ¹	-17	-17	-34	-34
Net income attributable to common shareholders	820	637	2 260	1 866
Weighted average common shares outstanding	342 491 202	331 653 840	342 301 045	332 816 650
Net income per share in USD	2.39	1.92	6.60	5.61
Net income per share in CHF²	2.27	1.89	6.27	5.51
Effect of dilutive securities				
Change in income available to common shares due to contingent capital instruments ¹	17	17	34	34
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192	35 745 192	35 745 192
Change in average number of shares due to employee options	2 050 614	1 728 873	2 494 442	1 976 320
Diluted earnings per share				
Net income assuming debt conversion and exercise of options	837	654	2 294	1 900
Weighted average common shares outstanding	380 287 008	369 127 905	380 540 678	370 538 162
Net income per share in USD	2.20	1.77	6.03	5.13
Net income per share in CHF²	2.09	1.74	5.73	5.04

¹ Please refer to Note 10 "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.

Dividends are declared in Swiss francs. In the year ended 31 December 2015, the Group paid a dividend per share of CHF 4.25, as well as an additional special dividend of CHF 3.00, which were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions. During the period ended 30 June 2016, the Group paid a dividend per share of CHF 4.60.

At the 151st Annual General Meeting held on 21 April 2015, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2016 Annual General Meeting through a buy-back programme for cancellation purposes. The share buy-back programme was completed as of 2 March 2016. The total number of shares repurchased amounted to 10.6 million, of which 4.4 million and 6.2 million shares were repurchased as of 31 December 2015 and between 1 January and 2 March 2016, respectively. On 22 April 2016, the Annual General Meeting resolved the cancellation of the repurchased 10.6 million shares by way of share capital reduction.

12 Variable interest entities

The adoption of ASU 2015-02 as of 1 January 2016 led to an increase in the number of variable interest entities (VIEs), mainly due to the evaluation of partnerships and investment funds.

The Group enters into arrangements with 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 primarily as a result of the Group's involvement in certain insurance-linked securitisations, life and health funding transactions, swaps in trusts, debt financing, investment, senior commercial mortgage and infrastructure loans as well as other entities, which meet the definition of a VIE.

When analysing whether the entity is a VIE, 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 is assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called a primary beneficiary and consolidates the VIE. The party 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 the entity's losses 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.

For all its variable interests in VIEs, the Group assesses whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. 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. Additionally, 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.

The Group monitors changes to the facts and circumstances of the existing involvement with legal entities to determine whether they require reconsideration of the entity's designation as a VIE or voting interest entity. For VIEs, the Group reassesses regularly the primary beneficiary determination.

Insurance-linked securitisations

The insurance-linked securitisations transfer pre-existing insurance risk to investors through the issuance of insurance-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. The securitisation vehicle generally retains the issuance proceeds as collateral, which consists of investment-grade securities. The Group does not have potentially significant variable interest in these vehicles and therefore is not a primary beneficiary.

Typically, the variable interests held by the Group arise through ownership of insurance-linked securities, in which case the Group's maximum loss equals the principal amount of the securities held by the Group.

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 separate 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 with a funding vehicle, which represents a potentially significant variable interest in the funding vehicle. 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 outstanding balance of the funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

The Group provides interest rate and foreign exchange risk hedges to certain asset securitisation trusts which qualify as VIEs. As the Group's involvement 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

The Group consolidates a debt-financing vehicle created to collateralise reinsurance coverage provided by the Group. The Group manages the asset portfolio in the vehicle and absorbs the variability of the investment return of the vehicle's portfolio thereby satisfying both criteria for a controlling financial interest: power over activities most significant to the vehicle's economic performance and significant economic interest.

The Group consolidates a debt-financing vehicle created to borrow locally part of the funding for a strategic investment. The Group established and capitalized the entity, decided terms of its debt and provides debt guarantee to the lender, thereby satisfying both criteria for a controlling financial interest: power over activities most significant to the vehicle's economic performance and potentially significant economic interest.

As part of a broader run-off transaction, the Group holds equity in and borrows funds from a VIE. The assets held by the VIE consist primarily of investment grade securities and the majority of their returns is absorbed by a third party, minimising the Group's maximum exposure. The Group is not a primary beneficiary of the VIE, because it does not have power over most significant activities of the VIE and its interests are not potentially significant.

Investment vehicles

The ASU 2015-02 implementation resulted in consolidation by the Group of the following two structured investment vehicles that are VIEs:

- Real estate investment entity, which holds real estate backing annuities business. The Group is its primary beneficiary, because it has both power over the entity's investment decisions, as well as a significant variable interest in the entity.
- Investment entity, which was acquired through the Guardian acquisition, where the Group holds the entire variable interest and participated in the entity's formation. The contractual termination of the Group's interests in the vehicle will take place in 2016.

The Group's variable interests in investment partnerships arise through ownership of the limited partner interests. Many investment partnerships are VIEs under ASU 2015-02, because the limited partners as a group lack kick-out or participating rights. The Group does not hold the general partner interest in the limited partnerships and therefore does not direct investment activities of the entity. 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 investment vehicles decrease. The Group's maximum exposure to loss equals the Group's share of the investment.

The Group is a passive investor in structured securitisation vehicles issuing residential and commercial mortgage-backed securities (RMBS and CMBS, respectively) and other asset-backed securities (ABS). The Group's investments in RMBS, CMBS and other ABS are passive in nature and do not obligate the Group to provide any financial or other support to the issuer entities. By design, RMBS, CMBS and ABS securitisation entities are not adequately capitalised and therefore considered VIEs. The Group is not the primary beneficiary, because it does not have power to direct most significant activities. These investments are accounted for as available-for-sale as described in the investment note 6 and are not included in the tables below.

The Group consolidates an investment vehicle, because the Group holds the entire interest in the entity and makes investment decisions related to the entity. The investment vehicle is a VIE under ASU 2015-02, because it is structured as an umbrella company comprised of multiple sub-funds. The majority of the investments held in this vehicle are accounted for as available-for-sale and are disclosed in the investment note 6 and not included in the tables below.

Investment vehicles (unit-linked business)

Additionally, the Group invests on behalf of the policyholders as a passive investor in a variety of investment funds across various jurisdictions. By design, many of these funds meet a VIE definition. While the Group may have a potentially significant variable interest in some of these entities due to its share of the fund's total net assets, it never has power over the fund's investment decisions, or unilateral kick-out rights relative to the decision maker.

The Group is not exposed to losses in the aforementioned investment vehicles, as the investment risk is borne by the policyholder.

Senior commercial mortgage and infrastructure loans

The Group also invests in structured commercial mortgage and infrastructure loans, which are held for investment.

The commercial mortgage loans are made to non-recourse special purpose entities collateralised with commercial real estate. The entities are adequately capitalised and generally structured as voting interest entities. Occasionally, the borrower entities can be structured as limited partnerships where the limited partners do not have kick-out or participating rights, which results in the VIE designation.

The infrastructure loans are made to non-recourse special purpose entities collateralised with infrastructure project assets. Some borrower entities may have insufficient equity investment at risk, which results in the VIE designation.

The Group does not have power over the activities most significant to the aforementioned borrower entities designated as VIEs and therefore does not consolidate them.

The Group's maximum exposure to loss from its investments equals the loan outstanding amount.

Other

The Group consolidates a vehicle providing reinsurance to its members, because it serves as a decision maker over the entity's investment and underwriting activities, as well as provides retrocession for the majority of the vehicle's insurance risk and receives performance-based fees. Additionally, the Group is obligated to provide the vehicle with loans in case of a deficit. The vehicle is a VIE, primarily because its total equity investment at risk is insufficient and the members lack decision-making rights.

The Group did not provide financial or other support to any VIEs during 2016 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 the VIEs of which the Group is the primary beneficiary as of 31 December 2015 and 30 June 2016:

USD millions	2015	2016
Fixed income securities available-for-sale	3 876	4 167
Investment real estate		237
Short-term investments	88	201
Other invested assets	26	
Cash and cash equivalents	147	172
Accrued investment income	42	38
Premiums and other receivables	34	48
Deferred acquisition costs	9	11
Deferred tax assets	38	72
Other assets	8	107
Total assets	4 268	5 053
Unpaid claims and claim adjustment expenses	53	70
Unearned premiums	26	29
Reinsurance balances payable	2	15
Deferred and other non-current tax liabilities	96	250
Accrued expenses and other liabilities	17	271
Long-term debt	2 720	2 497
Total liabilities	2 914	3 132

The assets of the consolidated VIEs may only be used to settle obligations of these VIEs and to settle any investors' ownership liquidation requests. There is no recourse to the Group for the consolidated VIEs' liabilities. The assets of the consolidated VIEs are not available to the Group's creditors.

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to the VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2015 and 30 June 2016:

USD millions	2015	2016
Fixed income securities available-for-sale	52	407
Equity securities available-for-sale		477
Policy loans, mortgages and other loans	1	838
Other invested assets	1 706	2 550
Investments for unit-linked and with-profit business		9 098
Total assets	1 759	13 370
Accrued expenses and other liabilities	45	77
Total liabilities	45	77

The following table shows the Group's assets, liabilities representing variable interests and maximum exposure to loss related to the VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2015 and 30 June 2016:

USD millions	2015			2016		
	Total assets	Total liabilities	Maximum exposure to loss ¹	Total assets	Total liabilities	Maximum exposure to loss ¹
Insurance-linked securitisations	52		52	257		255
Life and health funding vehicles	2	1	1 777	2	1	1 840
Swaps in trusts	146	44	- ²	133	76	- ²
Debt financing	361		27	333		24
Investment vehicles	1 009		1 011	2 565		2 565
Investment vehicles for unit-linked and with-profit business				9 098		-
Commercial mortgage / infrastructure loans				982		982
Other	189		189			
Total	1 759	45	-²	13 370	77	-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.

13 Benefit plans

Net periodic benefit cost

Pension and post-retirement cost for the six months ended 30 June 2015 and 2016 were USD 62 million and USD 53 million, respectively.

Employer's contributions for 2016

For the six months ended 30 June 2016, the Group contributed USD 99 million to its defined benefit pension plans and USD 8 million to other post-retirement plans, compared to USD 109 million and USD 8 million, respectively, in the same period of 2015.

The expected 2016 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 June 2016 for the latest information, amount to USD 159 million and USD 16 million, respectively.

14 Subsequent events

Cancellation of Swiss Re shares

The share capital reduction was registered in the Commercial Register of the Canton of Zurich and publication in the Swiss Commercial Gazette occurred on 14 July 2016.

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase” and “may fluctuate” and similar expressions or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re’s actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets.

Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re’s investment assets;
- changes in Swiss Re’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re’s hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;

- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

Note on risk factors

General impact of adverse market conditions

The operations of Swiss Re Ltd ("Swiss Re") and its subsidiaries (the "Group") as well as its investment returns are subject to market volatility and macro-economic factors, which are outside of the Group's control and are often inter-related.

Market sentiment currently is dominated largely by reactions to the outcome of the UK referendum in favor of withdrawing from the European Union, and concerns in respect of a range of related economic, monetary, political, regulatory and constitutional issues. There is no consensus on the future of the relationship between the United Kingdom and the European Union. Since the referendum, sterling has fallen to lows against the dollar not seen since 1985, bond yields have plummeted and business confidence indices and consumer confidence have dropped. The uncertainty is compounded by upcoming elections in various key European countries and the magnitude of the issues that will need to be addressed and resolved in the coming months and possibly longer as between the United Kingdom and the European Union. Efforts to address the issues presented by the UK referendum will take place against the backdrop of macro-economic and global political conditions that predate the referendum, including uneven and uncertain growth forecasts for the principal global economies; continued dislocation caused by the drop in oil prices; continued concerns over the implications of austerity-driven economic policies in Europe and the ability of the European Union to address significant ongoing structural challenges; deceleration in GDP growth and other negative trends in emerging markets; and geopolitical instability, reflecting the political and military situations in the Middle East and North Africa, the rise of the so-called Islamic State, concerns over further terrorist attacks across the globe and the political, economic and social crises caused by massive waves of migration into and through Europe. These factors have contributed to downward pressure on the capital markets and significant volatility in foreign exchange markets, and call into question the likelihood of continued recovery of the global economies. Liquidity concerns in respect of financial institutions could exacerbate current levels of volatility.

With the nature of the relationship between the United Kingdom and the European Union unlikely to be resolved in the near-term, fewer options available to policymakers and concerns generally over the absence of realistic confidence-building measures, and with heightened risk that volatility or depressed conditions in one sector, one market, one country or one region could have far broader implications, volatility can be expected to continue. Further adverse developments or the continuation of adverse trends that in turn have a negative impact on financial markets and economic conditions could limit the Group's ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to the Group and could adversely affect the confidence of the ultimate buyers of insurance and reinsurance. Any such developments and trends could also have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's investment portfolio and/or make it difficult to acquire suitable investments to meet the Group's risk and return criteria. The Group will continue to assess the longer-term implications of the UK referendum and potential scenarios affecting both the United Kingdom and the European Union on its operations and capital position.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment and are subject to group supervision. Swiss Re's subsidiaries are subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve as a result of global efforts following the credit crisis.

Although early regulatory efforts following the credit crisis were focused primarily on banking institutions, there has been a noticeable trend in recent years to extend the scope of reforms and oversight beyond such institutions to cover insurance and reinsurance operations. Legislative initiatives directly impacting the Group's industry include the establishment of a pan-European regulator for insurance companies, the European Insurance and Occupational Pension Authority (the "EIOPA"), which has the power to overrule national regulators in certain circumstances. In addition, the Group is subject to the Swiss Solvency Test and, through its legal entities organized in the European Economic Area, Solvency II, which entered into force on 1 January 2016. The Group is also monitoring the impact of the Swiss Federal Act on Financial Market Infrastructure (which became effective 1 January 2016 and introduced new regulations for over-the-counter derivatives trading in line with international standards) and the proposed Swiss Federal Financial Services Act and Financial Institutions Act (which contain rules for financial services providers that are based on the EU Markets in Financial Instruments Directive ("MiFID") regulations). In the United States, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury. In addition, provisions of the Wall Street Reform and Consumer Protection Act of 2010, as well as provisions in the proposed European Market Infrastructure Regulation and proposed changes to MiFID, in respect of derivatives could have a significant impact on the Group.

Other changes are focused principally on banking institutions, but some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on the Group. Changes are particularly likely to impact financial institutions designated as "systemically important," a designation which is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms.

There is an emerging focus on classifying certain insurance companies as systemically important as well. The Group could be designated as a global systemically important financial institution (SIFI) under the framework for systemically important financial institutions developed by the Financial Stability Board, or as a systemically important non-bank financial company by the Financial Stability Oversight Council (the FSOC) in the United States. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, published a methodology for identifying global systemically important insurers ("G-SIIs") and on a framework for supervision of internationally active insurance groups. Initial designation of insurers as G-SIIs took place in July 2013, and initial designation of reinsurers as G-SIIs has been postponed pending further development of the methodology due by November 2015, to be applied to new designations in 2016. If and when reinsurers are included in the list of G-SIIs, the Group could be so designated. Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, once implemented, including capital standards under both regimes (the Basic Capital Requirement for G-SIIs and the Insurance Capital Standard for Internationally Active Insurance Groups). In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

The Group cannot predict which legislative and regulatory initiatives will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. The Group may be subject to changes in views of its regulators in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if for example it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group's business. Uncertainty triggered by the outcome of the UK referendum could also impact the legislative or regulatory regimes to which the Group is subject, both in the United Kingdom and in the European Union.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business, reduce access to liquidity, limit the scope of current or future business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Market risk

Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. Current conditions and recent developments are likely to delay increases in interest rates. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

The Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has discontinued writing new variable annuity business and has an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks – including possible mismatch – that in turn can lead to reinvestment risk. The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Credit risk

If the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could also face write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could face difficulties in valuing credit-related instruments. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in with the Group participates and potential default by borrowers under those facilities.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include obligations arising in its insurance and reinsurance businesses (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange rates and credit spreads; or by perceptions among market participants of the extent of the Group's liquidity needs.

Unexpected liquidity needs (including to meet collateral calls) could require the Group to incur indebtedness or liquidate investments or other assets. The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral-posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks

The Group is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Securities trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could have a material adverse effect on the Group.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its insurance and reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be revised downward or revoked at the sole discretion of the rating agencies.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of its ratings could be downgraded or withdrawn in the future, and market conditions could increase the risk of downgrade. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could make it more difficult for the Group to achieve improved ratings which it would otherwise have expected.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the

course of its business or trigger early termination of funding arrangements, potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe. These same factors could also impact the Group's insurance business.

Legal and regulatory risks

In the ordinary course of business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which determine rights and obligations under insurance, reinsurance and other contractual agreements. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and the Group may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with ceding companies, disputes with parties to which the Group transfers risk under reinsurance arrangements, disputes with other counterparties or other matters. The Group cannot predict the outcome of any of the foregoing, which could be material for the Group.

The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures and malfeasance, such as undertaking or facilitating cyber attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclical nature of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); macro developments giving rise to emerging risks, including climate change and technological developments (including greater exposure to cyber risks); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure. Any of the foregoing, as well as the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. Changes in accounting standards could impact future reported results or require restatement of past reported results. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters.

The Group uses non-GAAP financial measures in its external financial reporting, including in this report. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as substitutes for measures prepared in accordance with US GAAP. Moreover, these may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

The Group also publishes, on an annual basis, a report of its results, including financial statements and an accompanying independent assurance report, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM report"). Financial information included in the EVM report contains non-GAAP financial measures. The EVM principles differ significantly from US GAAP and, accordingly, the Group's results prepared in accordance with US GAAP will differ from its EVM results, and those differences could be material. The Group's annual EVM results are available after release of its annual audited US GAAP results and can be more volatile than the US GAAP results because, among other things, assets and liabilities are measured on a market-consistent basis, profit recognition on new contracts is recognised at inception rather than over the life time of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in. The Group's EVM financial statements should not be viewed as a substitute for the Group's US GAAP financial statements.

Risks related to the Swiss Re corporate structure

Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries. The Group expects that, over time, its structure will continue to evolve, and while to date all of the Group's principal operations remain wholly owned, in the future it may elect to partner with minority investors in or within one or more of the Group's Business Units or sub-groups within its Business Units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such Business Unit or sub-group.

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Investors' Day in Zurich

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