

First Quarter 2016 Report



**We make
the world
more
resilient.**

Key Information

Financial highlights

For the three months ended 31 March

USD millions, unless otherwise stated	2015	2016	Change in %
Group			
Net income attributable to common shareholders	1 440	1 229	-15
Premiums earned and fee income	7 562	7 940	5
Earnings per share in CHF	4.00	3.68	-8
Common shareholders' equity (31.12.2015/31.03.2016)	32 415	34 827	7
Return on equity ¹ in %	16.1	14.6	
Return on investments in %	3.9	3.7	
Net operating margin in %	21.2	17.8	
Number of employees ² (31.12.2015/31.03.2016)	12 767	13 194	3
Property & Casualty Reinsurance			
Net income attributable to common shareholders	808	587	-27
Premiums earned	3 767	3 956	5
Combined ratio in % ³	84.3	93.3	
Net operating margin in %	25.4	18.0	
Return on equity ¹ in %	22.7	19.1	
Life & Health Reinsurance			
Net income attributable to common shareholders	277	244	-12
Premiums earned and fee income ⁴	2 607	2 835	9
Net operating margin in %	14.5	12.1	
Return on equity ¹ in %	17.2	16.1	
Corporate Solutions			
Net income attributable to common shareholders	167	80	-52
Premiums earned	882	865	-2
Combined ratio in %	87.8	90.4	
Net operating margin in %	22.9	12.3	
Return on equity ¹ in %	29.0	13.5	
Life Capital			
Net income attributable to common shareholders	206	321	56
Premiums earned and fee income ⁴	306	284	-7
Gross cash generation ⁵	52	-25	-148
Net operating margin in %	28.5	44.9	
Return on equity ¹ in %	12.7	21.2	

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

² Regular staff.

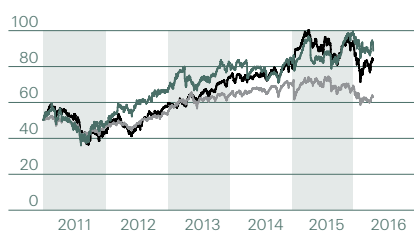
³ Letter of credit fees of USD 14 million in 2015, thereof USD 3 million in Property & Casualty Reinsurance, have been reclassified from Operating expenses to Interest expenses.

⁴ 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 restated 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.

Share information

Share price (CHF)



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

Financial strength ratings

As of 26 April 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 April 2016	
Share price in CHF	88.80
Market capitalisation in CHF millions	32 919

Share performance

in %	1 January 2011 – 26 April 2016 (p.a.)	Year to 26 April 2016
Swiss Re	11.3	-9.5
Swiss Market Index	4.4	-8.4
STOXX Europe 600 Insurance Index	10.0	-10.3

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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

Keeping steady in challenging conditions

1.2

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

Dear shareholders,

We are pleased to report a strong net income of USD 1.2 billion for the first quarter of 2016, with contributions from all three Business Units. This performance comes amid continued market pressure and volatile financial markets – external developments that emphasise the importance of our very strong capital position and the strategic framework that drives our priorities for 2016 and beyond.

Net income for Reinsurance was USD 831 million, with Property & Casualty Reinsurance accounting for USD 587 million, a strong performance amid overall market pressure, helped by the absence of large natural catastrophes. Life & Health Reinsurance accounted for the remaining USD 244 million and delivered a solid annualised return on equity of 16.1%, above our target range. Among the highlights for the Business Unit was the co-insurance transaction with Citigroup and Primerica Life Insurance Company, which demonstrates our client access and differentiated approach.

Corporate Solutions reported net income of USD 80 million. The Business Unit has delivered on its strategy despite a softening external price environment. As the recent acquisition of US employer stop loss business IHC Risk Solutions highlights, there are attractive opportunities for growth. We continue to invest in Corporate Solutions as opportunities arise, keeping the focus on future profitability.

Life Capital, which includes Admin Re[®], reports on its performance for the first time this quarter. Its net income for the first three months of 2016 was USD 321 million. The Business Unit also reported a very strong ROE of 21.2%. The result included a significant contribution from Guardian Financial Services, the acquisition of which we closed in January this year. We remain confident that Life Capital is the right vehicle to diversify our business and allocate capital to attractive and growing life and health risk pools.

Despite a challenging external environment, we maintained an attractive Property & Casualty portfolio through our April treaty renewals. Large and tailored transactions – such as that with AIG – continue to drive a growing share of our results. These are complex solutions that bring unique added value to our clients.

The fundamental underlying demand for reinsurance remains strong. Our role in absorbing risk, closing the protection gaps across all lines of business and contributing to a more resilient world is as crucial as ever.

The current environment shows even more how important it is that we remain focused on the long-term, setting ourselves apart from the market by applying a knowledge-led approach on a global scale.



Walter B. Kielholz
Chairman of the Board of Directors



Michel M. Liès
Group CEO

In a recent example, our latest *sigma* study draws key takeaways from the explosion in Tianjin, China, the largest insured loss event of 2015. The tragedy highlights the potential for accumulation risk in large transportation hubs, and we encourage clients and peers to enhance risk mapping in aggregation points and hazard zones.

To better help our clients to grow in markets and segments where a lack of risk experience and data exists, we have launched our proprietary Liability Risk Drivers model, a unique forward-looking model approach to adapt to a rapidly changing world.

We also team up with partners who can help us understand how our markets are changing. Together with mapping company HERE, we analysed the insurance implications of connected and automated cars.

Lastly, we recently updated our Financial Repression Index, the first of its kind, which shows that financial repression remains near a record high, hurting households, long-term investors and the insurance industry. As a result, less money is available for investments that support sustainable economic growth.

In these and countless other cases, we use our knowledge to benefit our clients. They are also an example of the dedication of our employees, who come up with fresh perspectives and innovative ideas, and disseminate this knowledge to make the difference. We thank them for the progress we've made this quarter.

We also would like to thank you, our shareholders, for your continued support and the confidence you place in us. In this quarter, we completed the 2015 share buy-back programme of up to CHF 1.0 billion purchase value. The Annual General Meeting (AGM) last week also approved a new share buy-back programme of up to the same value which can be exercised ahead of the 2017 AGM.

With the company on a steady course, we feel there's no better time for the Group CEO succession at the helm of Swiss Re. The new strategic framework we unveiled last year is the road map to ensure our future success.

Zurich, 29 April 2016

Walter B. Kielholz
Chairman of the Board of Directors

Christian Mumenthaler, who becomes Group CEO in July, is well equipped to continue to steer our company through these challenging times.

We are also pleased to announce that Moses Ojeisekhoba, currently Regional President and CEO Reinsurance, Asia and a member of the Group Executive Committee, will become the new CEO Reinsurance. Jayne Plunkett, currently Head Casualty Reinsurance, will succeed Moses Ojeisekhoba as Regional President and CEO Reinsurance, Asia. As part of this move Jayne Plunkett will become a member of the Group Executive Committee.

We are confident that Swiss Re will continue to shape the re/insurance industry, enabling the risk-taking our society depends on and contributing to making the world progress and thrive.

Thank you for joining us on this journey.

Michel M. Liès
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 latest *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.

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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. 🔍 Read more: page 10	Property & Casualty			
	2016	3956	2016	587
	2015	3767	2015	808
	Life & Health			
2016	2835	2016	244	
2015	2607	2015	277	
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. 🔍 Read more: page 13	2016	865	2016	80
	2015	882	2015	167
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. Life Capital is working to meet the growing challenges of ageing populations and rising health care costs around the world. 🔍 Read more: page 14	2016	284	2016	321
	2015	306	2015	206
Total (after consolidation)	2016	7940	2016	1229
	2015	7562	2015	1440

Return on equity (annualised)	Operating performance
19.1% (2015: 22.7%)	93.3% (2015: 84.3%) Combined ratio
16.1% (2015: 17.2%)	12.1% (2015: 14.5%) Net operating margin
13.5% (2015: 29.0%)	90.4% (2015: 87.8%) Combined ratio
21.2% (2015: 12.7%)	-25m (2015: USD 52m) Gross cash generation
14.6% (2015: 16.1%)	1.2bn (2015: USD 1.4bn) Group net income

Group results

Swiss Re reported strong net income of USD 1.2 billion for the first quarter of 2016, down from USD 1.4 billion for the same period in 2015, reflecting solid underwriting, supported by net realised gains from the investment portfolio of Guardian Financial Services (Guardian). The net operating margin for the 2016 period was 17.8%, compared to 21.2% for the first three months of 2015.

Net income for Reinsurance was USD 831 million, down from USD 1.1 billion for the same period of the previous year. Property & Casualty Reinsurance accounted for USD 587 million, compared to USD 808 million in the first quarter of 2015, reflecting continued good underwriting and benign natural catastrophe experience, partly offset by negative prior-year development. Life & Health Reinsurance contributed USD 244 million for the first three months of 2016, compared to USD 277 million for the same period in 2015, driven by lower net realised gains and translating into a net operating margin of 12.1% for the first quarter of 2016 and 14.5% for the same period in 2015.

Corporate Solutions reported net income of USD 80 million for the first quarter of 2016, compared to USD 167 million for the same period of the previous year. The 2016 result was driven by profitable performance across most lines of business and moderate income from investment activities, partially offset by realised losses from insurance in derivative form due to the continued impact of the unseasonably mild winter.

Life Capital, which includes Admin Re®, delivered net income of USD 321 million for the first three months of 2016. Admin Re® generated USD 206 million in the same period of 2015. The 2016 result also included the contribution from Guardian from the date of acquisition. Net realised gains from the Guardian investment portfolio contributed to income in the current

period. The first quarter of 2015 benefited from Admin Re®'s net realised gains resulting from portfolio repositioning ahead of Solvency II as well as tax credits in the UK. Life Capital's net operating margin increased as a result to 44.9% for the first quarter of 2016, compared to 28.5% 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 34.8 billion as of 31 March 2016 from USD 32.4 billion at the end of December 2015, reflecting the net income for the quarter and unrealised gains on fixed income securities, partially offset by the share buy-back completed on 2 March 2016. Annualised return on equity was 14.6% for the first three months of 2016 compared to 13.7% for the full year 2015 and 16.1% (annualised) for the first quarter of 2015. Earnings per share for the 2016 period were CHF 3.68 or USD 3.68, compared to CHF 4.00 (USD 4.21) for the first three months of 2015.

Book value per common share increased to USD 105.04 or CHF 100.57 at the end of March 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 7.9 billion for the first three months of 2016, up from USD 7.6 billion in the same quarter of the previous year. At constant exchange rates, premiums and fees increased by 9.0%, reflecting growth in selected markets and lines of business, often through large and tailored transactions.

Premiums earned by Property & Casualty Reinsurance came to USD 4.0 billion, up from USD 3.8 billion for the same period

of the previous year. At constant exchange rates, premiums earned increased by 8.9%, mainly driven by large transactions in the US and Europe. The Property & Casualty Reinsurance combined ratio was 93.3%, compared to 84.3% for the first quarter of 2015. While both quarters benefited from the absence of major natural catastrophe losses, the first quarter of 2016 was impacted by adverse prior-year development and a continued softening of the market.

Corporate Solutions premiums earned decreased to USD 865 million, a decrease of 1.9% compared to the same period of 2015, driven by foreign exchange movements. At constant exchange rates, premiums earned increased by 0.6%. The Corporate Solutions combined ratio for the first quarter of 2016 was 90.4%, compared to 87.8% for the same period of the previous year, with the prior year benefiting from favourable prior-year development. In line with Property & Casualty Reinsurance, both periods benefited from the very low level of natural catastrophe losses.

Life & Health Reinsurance premiums earned and fee income totalled USD 2.8 billion, driven by growth in all regions, including a new large in-force transaction in the US and other new transactions in late 2015. At constant exchange rates, premiums earned and fees increased by 13.6%.

Gross cash generation for Life Capital was a negative USD 25 million for the first three months of 2016, compared to a positive USD 52 million for the same period of the previous year. Gross cash generation for the UK business is determined by Solvency II from January 2016, which is more sensitive to economic movements than its predecessor. As a result, large movements in interest rates and credit spreads can have a more pronounced impact on reported gross cash generation, as they have in the current period.

Income statement

USD millions	2015	2016	Change in %
Revenues			
Gross premiums written	10 076	11 395	13
Net premiums written	9 682	10 872	12
Change in unearned premiums	-2 269	-3 060	35
Premiums earned	7 413	7 812	5
Fee income from policyholders	149	128	-14
Net investment income – non-participating	890	934	5
Net realised investment gains/losses – non-participating	559	692	24
Net investment result – unit-linked and with-profit	1 441	405	-72
Other revenues	12	12	0
Total revenues	10 464	9 983	-5
Expenses			
Claims and claim adjustment expenses	-2 435	-2 867	18
Life and health benefits	-2 357	-2 539	8
Return credited to policyholders	-1 452	-350	-76
Acquisition costs	-1 538	-1 773	15
Operating expenses ¹	-770	-745	-3
Total expenses before interest expenses	-8 552	-8 274	-3
Income before interest and income tax expense	1 912	1 709	-11
Interest expenses ¹	-161	-155	-4
Income before income tax expense	1 751	1 554	-11
Income tax expense	-294	-311	6
Net income before attribution of non-controlling interests	1 457	1 243	-15
Income attributable to non-controlling interests		3	-
Net income after attribution of non-controlling interests	1 457	1 246	-14
Interest on contingent capital instruments	-17	-17	0
Net income attributable to common shareholders	1 440	1 229	-15

¹ Letter of credit fees of USD 14 million in 2015 have been reclassified from Operating expenses to Interest expenses.

Investment result and expenses

The Group's investment portfolio, excluding unit-linked and with-profit investments, increased to USD 138.1 billion as of 31 March 2016, compared to USD 116.8 billion at the end of 2015. The increase was largely due to the acquisition of Guardian.

The return on investments was 3.7% for the first quarter of 2016, compared to 3.9% for the same period of 2015, primarily as a result of lower net realised gains from sales.

The Group's non-participating net investment income was USD 934 million, up from USD 890 million for the first three months of 2015, driven by the larger investment portfolio. The Group's fixed income running yield for the first quarter was 3.0% in 2016, in line with the same period in 2015.

The Group reported non-participating net realised gains of USD 692 million for the first quarter of 2016, compared to USD 559 million for the same period in 2015. The increase was primarily related to significant net realised gains within the Guardian portfolio.

Acquisition costs for the Group increased to USD 1.8 billion for the first quarter of 2016, up from USD 1.5 billion for the same period of the previous year, mainly reflecting a large transaction in Life & Health and a higher share of proportional business in Property & Casualty Reinsurance.

Operating expenses amounted to USD 745 million for the first quarter of 2016, down from USD 770 million for the same period in 2015. At constant exchange rates, operating expenses remained largely stable.

Interest expenses were USD 155 million, a slight reduction compared to the same period of the previous year.

The Group reported a tax charge of USD 311 million on a pre-tax income of USD 1.6 billion for the first quarter of 2016, compared to a tax charge of USD 294 million on a pre-tax income of USD 1.8 billion for the same period in 2015. This translated into an effective tax rate in the current and previous year reporting periods of 20.0% and 16.8%, respectively. The higher rate in the current period was largely driven by lower benefits from the release of valuation allowance and by adjustments to prior-year provisions, partially offset by lower tax on profits earned in the various jurisdictions.

Reinsurance

The Reinsurance Business Unit, which comprises the segments Property & Casualty Reinsurance and Life & Health Reinsurance, reported a net income of USD 831 million in the first quarter of 2016. Summaries of each segment's performance are below.

Property & Casualty Reinsurance

Net income for the first quarter of 2016 was USD 587 million compared to USD 808 million in the same period of 2015. The net operating margin was 18.0% in the current period, down from 25.4% in the first quarter of 2015. The first quarter of 2016 result reflected good underwriting results and benign natural catastrophe experience, partly offset by unfavourable prior-year development and a higher man-made loss burden. The investment result was higher in the first quarter 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 5% to USD 4.0 billion in the first quarter of 2016, compared to USD 3.8 billion in the same period of 2015. The increase was driven by large transactions in the US and Europe, partially offset by unfavourable foreign exchange movements.

Combined ratio

Property & Casualty Reinsurance reported a combined ratio of 93.3% for the first quarter of 2016, compared to 84.3% in the prior-year period. The increase was mainly driven by adverse prior-year development in 2016, compared to reserve releases in the first quarter of 2015 and the continued softening of the market. Both periods benefited from benign natural catastrophe experience.

The expected impact from large natural catastrophes for the first quarter of 2016 was 5.9 percentage points, while the actual impact was nil. The unfavourable development of prior accident years impacted the combined ratio by -3.5 percentage points in the first quarter of 2016, compared to a favourable impact from reserve releases of 1.6 percentage points in the same quarter of 2015.

Administrative expense ratio

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

Lines of business

The property combined ratio increased to 80.9% in the first quarter of 2016, compared to 73.1% in the first quarter of 2015. Natural catastrophe experience in both periods was benign. The first quarter of 2016 was impacted by rate reductions and the unfavourable development of earthquake losses in New Zealand, compared to reserve releases in the same period of 2015.

The casualty combined ratio increased by 8.8 percentage points to 109.2% in the first quarter of 2016, compared to 100.4% in the first quarter of 2015. The increase was mainly driven by reserve strengthening. The prior-year period benefited from reserve releases.

The specialty combined ratio increased to 76.7% for the first quarter of 2016, compared to 68.4% in the first quarter of 2015, impacted by overall less favourable prior accident year development, particularly a credit loss in Spain.

Investment result

The return on investments was 3.5% in the first quarter of 2016 compared to 4.2% in the same period of 2015, reflecting a decrease in the investment result of USD 88 million, mainly due to lower net realised gains.

Net investment income decreased by USD 41 million to USD 230 million in the first quarter of 2016, mainly due to reduced income from equity-accounted positions.

Net realised gains were USD 156 million compared to USD 202 million in the first quarter of 2015, as the current period included lower gains from sales of equity securities.

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

Shareholders' equity

Common shareholders' equity decreased to USD 11.7 billion as of 31 March 2016 from USD 13.0 billion as of 31 December 2015, primarily driven by dividends declared to the Group, partly offset by net income for the quarter, higher unrealised gains and the impact of foreign exchange movements. The annualised return on equity for the first quarter of 2016 was 19.1% compared to 22.7% in the same quarter of 2015. The decrease was mainly due to the lower net income in 2016.

Outlook

Price erosion for property catastrophe business has slowed but abundant capital and low loss occurrence still create downward pressure. We reduced catastrophe capacity deployment and will continue to do so where price levels fall below our return hurdles.

We observe further pressure on rates for special lines, with notable differences by lines of business and markets.

Casualty markets overall remain generally more stable with differences among segments. Successful differentiation will remain the key for new business, 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 allows us to access the business we want and to achieve above average rates.

Life & Health Reinsurance

Net income was USD 244 million for the first quarter of 2016 compared to USD 277 million for the first quarter of 2015. The prior-year result benefited from higher foreign exchange remeasurement gains. Excluding realised gains and foreign exchange remeasurement impact in both periods, earnings in the 2016 first quarter were stable. The annualised return on equity was 16.1%.

Net premiums earned and fee income

Premiums earned and fee income rose by 8.7% to USD 2.8 billion compared to the prior year, driven by growth in all regions, including a new large in-force transaction in the US and other new transactions in late 2015. At constant foreign exchange rates, premiums earned and fee income were 13.6% higher in the first quarter of 2016 than in the same period of 2015.

Net operating margin

The net operating margin was 12.1% for the first quarter of 2016, compared to 14.5% in the same period of 2015. The 2016 margin figure was impacted by lower foreign exchange remeasurement gains and higher revenues. Excluding the non-participating realised gains and the foreign exchange remeasurement impact in both periods, the margins were slightly lower in the first quarter of 2016 than in the same period of 2015.

Management expense ratio

The management expense ratio was 5.2%, a slight 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 slightly decreased to USD 152 million in the first quarter of 2016, from USD 159 million in the same period of 2015. Results in the current period were impacted by more unfavourable mortality experience in the UK, partly offset by more favourable experience in Australia.

EBIT for the health business of USD 139 million was in line with the first quarter of 2015, which was USD 140 million. The 2016 result was impacted by higher critical illness claims and an update to claims incurred but not reported (IBNR) in the UK, partly offset by favourable model updates in Australia.

Investment result

The return on investments was 3.6% in the first quarter of 2016 compared to 3.4% in the same period of 2015, reflecting an increase in the investment result of USD 10 million, mainly due to higher net realised gains. The fixed income running yield for the first quarter of 2016 was 3.5%, which was in line with the prior-year period.

Net investment income increased by USD 1 million to USD 272 million in the first quarter of 2016, and thus was in line with the prior year.

Net realised gains were USD 38 million compared to USD 29 million in the first quarter of 2015. The prior period included losses from interest rate derivatives, while there were lower net realised gains from sales of fixed income securities 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 increased to USD 6.3 billion as of 31 March 2016 from USD 5.8 billion as of 31 December 2015. The increase was mainly due to net income and higher unrealised gains reflecting a decline in interest rates, partially offset by dividend declared to the Group.

Return on equity was 16.1% for the first quarter of 2016 compared to 17.2% for the same period of 2015. The reduction was mainly due to lower net income.

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. High growth markets are expected to see strong increases in primary life and health volumes and 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 execute its growth plan.

In March 2016, Corporate Solutions completed the previously announced acquisition of IHC Risk Solutions, LLC (IHC), a leading US employer stop loss underwriter. This acquisition broadens Corporate Solutions capabilities in the small- and middle-market self-funded healthcare benefits segment. Corporate Solutions will now focus on the integration of IHC's operations, with IHC immediately adopting the Swiss Re Corporate Solutions brand.

Performance

Net income was USD 80 million in the first quarter of 2016, compared to USD 167 million in the same period of 2015, with a net operating margin of 12.3%, down from 22.9%. The 2016 result was driven by profitable business performance across most lines of business and moderate income from investment activities, partially offset by realised losses from insurance in derivative form, due to the continued impact of the unseasonably mild winter.

Net premiums earned

Net premiums were USD 865 million in the first quarter of 2016, a decrease of 1.9% compared to the same period of 2015, driven by foreign exchange rate movements. At constant exchange rates, net premiums increased 0.6%. Gross premiums written and premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit, increased 17.5%, or 20.8% at constant exchange rates, to USD 777 million in the first three months of 2016 compared to USD 661 million in the same period of 2015, driven by the IHC acquisition.

Combined ratio

The combined ratio increased by 2.6 percentage points to 90.4% in the first quarter of 2016 compared to 87.8% in the same period of 2015, with the prior period benefiting from favourable prior-year development.

Lines of business

The property combined ratio for the first quarter of 2016 improved by 3.8 percentage points to 76.3%, reflecting continued profitable business performance in most regions. Both periods benefited from the absence of major natural catastrophe events.

The casualty combined ratio increased to 110.4% in the first three months of 2016 compared to 95.4% in the first quarter of 2015, impacted by two prior-year large loss movements in North America.

The credit combined ratio improved to 98.9% in the first quarter of 2016 compared to 110.1% in the same period of 2015. Both periods were impacted by a large loss, though to a lesser extent in 2016.

In other specialty lines, the combined ratio improved by 1.9 percentage points to 73.5% in the first quarter of 2016, mainly due to lower large man-made losses compared to the same period in 2015.

Investment result

The return on investments was 2.2% for the first quarter of 2016, compared to 3.4% in the same period of 2015, reflecting a decrease in the investment result of USD 27 million.

Net investment income increased by USD 8 million to USD 41 million in the first quarter of 2016, driven by higher income from fixed income securities. Net realised gains were USD 5 million compared to USD 40 million in the first quarter of 2015, with lower net realised gains from sales of fixed income and equity securities.

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

Corporate Solutions offers insurance protection against weather perils and other risks, which are accounted for as derivatives. Insurance in derivative form reported net realised losses of USD 13 million in the first quarter of 2016 compared to gains of USD 38 million in the same period of 2015. The 2016 period was impacted by the continued impact of the unseasonably mild winter.

Shareholders' equity

Common shareholders' equity increased to USD 2.5 billion since the end of 2015 due to net income and unrealised gains. The return on equity was 13.5% in the first quarter of 2016, compared to 29.0% 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. Corporate Solutions maintains its commitment to underwriting discipline and believes that it is well positioned to successfully navigate an increasingly challenging market thanks to its value proposition, strong balance sheet and selective underwriting approach, 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 for 2015 has been restated accordingly.

During the first quarter of 2016, Life Capital reported net income of USD 321 million compared to USD 206 million in the first quarter of 2015. The 2016 result included the contribution from Guardian Financial Services, the acquisition of which Admin Re[®] announced last year. Net realised gains on the Guardian investment portfolio contributed to the increase in net income in the period. The Guardian acquisition – which is a strong demonstration of progress against our strategy to be a leading closed life book consolidator in the UK – was completed in January 2016, following regulatory approval. The Life Capital net income also reflected favourable Admin Re[®] UK actuarial valuation impacts. The prior year 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 quarter of 2016 was 44.9% compared to 28.5% in the prior-year period with the increase driven by the strong performance in the current year.

Life Capital generated gross cash of negative USD 25 million in the first quarter of 2016 compared to a positive USD 52 million in the prior-year period. Gross cash generation for the UK business is determined by Solvency II from January 2016, which is more sensitive to economic movements than its predecessor. As a result, large movements in interest rates and credit spreads can have a more pronounced impact on reported gross cash generation, as they have done in the current period.

Gross premiums written

Gross premiums written increased by 14%, to USD 603 million during the first quarter of 2016. The increase was driven by the Guardian business and the growth from the open life and health insurance books. Gross premiums written in the comparative period have been restated to reflect the inclusion of the primary life and health insurance business.

Investment result

The return on investments was 4.6% in the first quarter of 2016 compared to 5.2% in the same period of 2015, reflecting a decrease in the investment result of USD 4 million and higher average invested assets.

Net investment income increased by USD 54 million to USD 240 million in the first quarter of 2016, mainly from net asset inflows related to the Guardian acquisition.

Net realised gains decreased by USD 58 million to USD 54 million in the first quarter of 2016. The prior period included gains from sales related to the re-positioning 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 remeasurement are not included in the figures above.

Expenses

Expenses were USD 108 million in the first quarter of 2016 compared to USD 91 million in the first quarter of 2015. The increase in expenses was due to the costs of running and integrating the Guardian business.

Shareholders' equity

Common shareholders' equity increased by USD 2.2 billion compared to 31 December 2015 to USD 7.2 billion. The increase was driven by a USD 1.6 billion capital contribution from the Group to partially fund the Guardian acquisition. The annualised return on equity was 21.2% for the first quarter of 2016, compared to 12.7% for the first quarter of 2015. The 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 dynamically 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 its operating platform to achieve operational efficiencies 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

For the three months ended 31 March

USD millions	Note	2015	2016
Revenues			
Gross premiums written	4	10 076	11 395
Net premiums written	4	9 682	10 872
Change in unearned premiums		-2 269	-3 060
Premiums earned	3	7 413	7 812
Fee income from policyholders	3	149	128
Net investment income – non-participating business	6	890	934
Net realised investment gains/losses – non-participating business ¹	6	559	692
Net investment result – unit-linked and with-profit business	6	1 441	405
Other revenues		12	12
Total revenues		10 464	9 983
Expenses			
Claims and claim adjustment expenses	3	-2 435	-2 867
Life and health benefits	3	-2 357	-2 539
Return credited to policyholders		-1 452	-350
Acquisition costs	3	-1 538	-1 773
Operating expenses ²		-770	-745
Total expenses before interest expenses		-8 552	-8 274
Income before interest and income tax expense		1 912	1 709
Interest expenses ²		-161	-155
Income before income tax expense		1 751	1 554
Income tax expense		-294	-311
Net income before attribution of non-controlling interests		1 457	1 243
Income attributable to non-controlling interests			3
Net income after attribution of non-controlling interests		1 457	1 246
Interest on contingent capital instruments		-17	-17
Net income attributable to common shareholders		1 440	1 229
Earnings per share in USD			
Basic	11	4.21	3.68
Diluted	11	3.83	3.35
Earnings per share in CHF³			
Basic	11	4.00	3.68
Diluted	11	3.64	3.34

¹ Total impairments for the three months ended 31 March were USD 5 million in 2015 and USD 33 million in 2016 of which USD 5 million and USD 33 million, respectively, were recognised in earnings.

² Letter of credit fees of USD 14 million in 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

For the three months ended 31 March

USD millions	2015	2016
Net income before attribution of non-controlling interests	1 457	1 243
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	1 195	1 566
Change in other-than-temporary impairment	1	5
Change in foreign currency translation	-929	137
Change in adjustment for pension benefits	29	10
Total comprehensive income before attribution of non-controlling interests	1 753	2 961
Interest on contingent capital instruments	-17	-17
Comprehensive income attributable to non-controlling interests		3
Total comprehensive income attributable to common shareholders	1 736	2 947

Reclassification out of accumulated other comprehensive income

For the three months ended 31 March

2015 USD millions	Unrealised investment gains/losses ¹	Other-than-temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	5 418	-3	-4 675	-825	-85
Change during the period	1 927	2	-809	23	1 143
Amounts reclassified out of accumulated other comprehensive income	-347			16	-331
Tax	-385	-1	-120	-10	-516
Balance as of period end	6 613	-2	-5 604	-796	211

2016 USD millions	Unrealised investment gains/losses ¹	Other-than-temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	2 748	-11	-5 687	-1 016	-3 966
Change during the period	2 527	5	35	-2	2 565
Amounts reclassified out of accumulated other comprehensive income	-392	2		16	-374
Tax	-569	-2	102	-4	-473
Balance as of period end	4 314	-6	-5 550	-1 006	-2 248

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 "Operating expenses" line.

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

Balance sheet

Assets

USD millions	Note	31.12.2015	31.03.2016
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale (including 11 897 in 2015 and 10 624 in 2016 subject to securities lending and repurchase agreements) (amortised cost: 2015: 76 155; 2016: 89 524)		79 435	95 068
Trading (including 1 729 in 2015 and 1 815 in 2016 subject to securities lending and repurchase agreements)		2 896	2 868
Equity securities:			
Available-for-sale (including 605 in 2015 and 673 in 2016 subject to securities lending and repurchase agreements) (cost: 2015: 4 294; 2016: 3 932)		4 719	4 268
Trading		68	88
Policy loans, mortgages and other loans		3 123	4 205
Investment real estate		1 556	1 845
Short-term investments (including 1 278 in 2015 and 1 865 in 2016 subject to securities lending and repurchase agreements)		7 405	8 190
Other invested assets		10 367	12 055
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 069 in 2015 and 5 980 in 2016, equity securities trading: 22 783 in 2015 and 27 097 in 2016)		28 241	34 929
Total investments		137 810	163 516
Cash and cash equivalents (including 319 in 2015 and 425 in 2016 subject to securities lending)		8 204	11 145
Accrued investment income		983	1 119
Premiums and other receivables		11 709	15 472
Reinsurance recoverable on unpaid claims and policy benefits		6 578	8 267
Funds held by ceding companies		9 870	8 906
Deferred acquisition costs	5	5 471	6 186
Acquired present value of future profits	5	2 964	2 294
Goodwill		3 862	4 122
Income taxes recoverable		191	178
Deferred tax assets		5 970	6 395
Other assets		2 523	3 886
Total assets		196 135	231 486

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

Liabilities and equity

USD millions	Note	31.12.2015	31.03.2016
Liabilities			
Unpaid claims and claim adjustment expenses		55 518	57 684
Liabilities for life and health policy benefits	7	30 131	46 281
Policyholder account balances		31 422	36 802
Unearned premiums		10 869	14 220
Funds held under reinsurance treaties		3 320	3 551
Reinsurance balances payable		1 928	2 026
Income taxes payable		488	345
Deferred and other non-current tax liabilities		8 093	9 203
Short-term debt	10	1 834	2 381
Accrued expenses and other liabilities		7 948	11 988
Long-term debt	10	10 978	10 986
Total liabilities		162 529	195 467
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	521
Treasury shares, net of tax		-1 662	-2 236
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		2 748	4 314
Other-than-temporary impairment, net of tax		-11	-6
Foreign currency translation, net of tax		-5 687	-5 550
Adjustment for pension and post-retirement benefits, net of tax		-1 016	-1 006
Total accumulated other comprehensive income		-3 966	-2 248
Retained earnings		37 526	38 755
Shareholders' equity		33 517	35 929
Non-controlling interests		89	90
Total equity		33 606	36 019
Total liabilities and equity		196 135	231 486

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 three months ended 31 March

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	11
Realised gains/losses on treasury shares	-61	28
Dividends on common shares ¹	-1 280	
Balance as of period end	482	521
Treasury shares, net of tax		
Balance as of 1 January	-1 185	-1 662
Purchase of treasury shares	-584	-595
Issuance of treasury shares, including share-based compensation to employees	107	21
Balance as of period end	-1 662	-2 236
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	5 418	2 748
Changes during the period	-2 670	1 566
Balance as of period end	2 748	4 314
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
Foreign currency translation, net of tax		
Balance as of 1 January	-4 675	-5 687
Changes during the period	-1 012	137
Balance as of period end	-5 687	-5 550
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-825	-1 016
Changes during the period	-191	10
Balance as of period end	-1 016	-1 006
Retained earnings		
Balance as of 1 January	34 257	37 526
Net income after attribution of non-controlling interests	4 665	1 246
Interest on contingent capital instruments, net of tax	-68	-17
Dividends on common shares ¹	-1 328	
Balance as of period end	37 526	38 755
Shareholders' equity	33 517	35 929
Non-controlling interests		
Balance as of 1 January	111	89
Changes during the period	-25	4
Income attributable to non-controlling interests	3	-3
Balance as of period end	89	90
Total equity	33 606	36 019

¹ Dividends to shareholders were paid in the form of a withholding tax-exempt repayment of legal reserves from capital contributions.

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

Statement of cash flow

For the three months ended 31 March

USD millions	2015	2016
Cash flows from operating activities		
Net income attributable to common shareholders	1 440	1 229
Add net income attributable to non-controlling interests		-3
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	148	186
Net realised investment gains/losses	-1 796	-834
Income from equity-accounted investees, net of dividends received	60	41
Change in:		
Technical provisions and other reinsurance assets and liabilities, net ¹	944	507
Funds held by ceding companies and under reinsurance treaties	100	1 280
Reinsurance recoverable on unpaid claims and policy benefits	222	99
Other assets and liabilities, net	-178	122
Income taxes payable/recoverable	-300	6
Trading positions, net ¹	149	184
Net cash provided/used by operating activities	789	2 817
Cash flows from investing activities		
Fixed income securities:		
Sales	12 831	10 459
Maturities	1 049	775
Purchases	-16 463	-11 614
Net purchases/sales/maturities of short-term investments ¹	2 326	-443
Equity securities:		
Sales	399	490
Purchases	-1 361	-460
Securities purchased/sold under agreement to resell/repurchase, net	927	534
Cash paid/received for acquisitions/disposal and reinsurance transactions, net		314
Net purchases/sales/maturities of other investments ¹	1 662	1
Net purchases/sales/maturities of investments held for unit-linked and with-profit business ¹	410	701
Net cash provided/used by investing activities	1 780	757
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business: ¹		
Deposits	59	165
Withdrawals	-365	-833
Issuance/repayment of long-term debt	239	-36
Issuance/repayment of short-term debt	-427	540
Purchase/sale of treasury shares	-21	-590
Net cash provided/used by financing activities	-515	-754
Total net cash provided/used	2 054	2 820
Effect of foreign currency translation	-288	121
Change in cash and cash equivalents	1 766	2 941
Cash and cash equivalents as of 1 January	7 471	8 204
Cash and cash equivalents as of 31 March	9 237	11 145

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 restated accordingly.

Interest paid was USD 79 million and USD 100 million (thereof USD 15 and 13 million for letter of credit fees) for the three months ended 31 March 2015 and 2016, respectively.

Tax paid was USD 574 million and USD 301 million for the three months ended 31 March 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) and comply with Swiss law. 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.

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited. 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 judgment. Consequently, it is possible that the estimates will change as the purchase price allocation gets finalised. For more details on the transaction and its impact on the Group's financial statements, please refer to Note 9.

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 31 March 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 April 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 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 variable interest entity (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 2015-2 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.

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 restated 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 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Consolidation	Total
Revenues							
Gross premiums written	6 200	3 101	674	527		-426	10 076
Net premiums written	6 128	2 779	506	269			9 682
Change in unearned premiums	-2 361	-187	376	-97			-2 269
Premiums earned	3 767	2 592	882	172			7 413
Fee income from policyholders		15		134			149
Net investment income – non-participating business	279	334	30	280	-36	3	890
Net realised investment gains/losses – non-participating business	197	159	88	112	3		559
Net investment result – unit-linked and with-profit business		75		1 366			1 441
Other revenues	13	2	4		75	-82	12
Total revenues	4 256	3 177	1 004	2 064	42	-79	10 464
Expenses							
Claims and claim adjustment expenses	-1 962		-473				-2 435
Life and health benefits		-1 974		-383			-2 357
Return credited to policyholders		-83		-1 369			-1 452
Acquisition costs	-917	-481	-118	-22			-1 538
Operating expenses ²	-297	-190	-183	-91	-84	75	-770
Total expenses before interest expenses	-3 176	-2 728	-774	-1 865	-84	75	-8 552
Income/loss before interest and income tax expense							
	1 080	449	230	199	-42	-4	1 912
Interest expenses ²	-63	-88	-6	-4	-4	4	-161
Income/loss before income tax expense	1 017	361	224	195	-46	0	1 751
Income tax expense/benefit	-204	-72	-57	11	28		-294
Net income/loss before attribution of non-controlling interests	813	289	167	206	-18	0	1 457
Income attributable to non-controlling interests							0
Net income/loss after attribution of non-controlling interests	813	289	167	206	-18	0	1 457
Interest on contingent capital instruments	-5	-12					-17
Net income/loss attributable to common shareholders	808	277	167	206	-18	0	1 440
Claims ratio in %	52.1		53.7				52.4
Expense ratio in %	32.2		34.1				32.6
Combined ratio in %	84.3		87.8				85.0
Management expense ratio in %		6.5					
Net operating margin in %	25.4	14.5	22.9	28.5	-100.0		21.2

¹ 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 restated accordingly.

² Letter of credit fees of USD 11 million in Life & Health Reinsurance and USD 3 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

Business segments – income statement

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	7 008	3 405	804	603		-425	11 395
Net premiums written	6 948	3 081	588	255			10 872
Change in unearned premiums	-2 992	-258	277	-87			-3 060
Premiums earned	3 956	2 823	865	168			7 812
Fee income from policyholders		12		116			128
Net investment income – non-participating business	237	333	36	316	20	-8	934
Net realised investment gains/losses – non-participating business	296	107	-11	305	-5		692
Net investment result – unit-linked and with-profit business		-63		468			405
Other revenues	11	5	2		78	-84	12
Total revenues	4 500	3 217	892	1 373	93	-92	9 983
Expenses							
Claims and claim adjustment expenses	-2 374		-493				-2 867
Life and health benefits		-2 074		-465			-2 539
Return credited to policyholders		60		-410			-350
Acquisition costs	-1 037	-640	-112	16			-1 773
Operating expenses	-280	-165	-177	-108	-92	77	-745
Total expenses before interest expenses	-3 691	-2 819	-782	-967	-92	77	-8 274
Income/loss before interest and income tax expense							
	809	398	110	406	1	-15	1 709
Interest expenses	-69	-78	-6	-5	-12	15	-155
Income/loss before income tax expense	740	320	104	401	-11	0	1 554
Income tax expense/benefit	-148	-64	-27	-80	8		-311
Net income/loss before attribution of non-controlling interests	592	256	77	321	-3	0	1 243
Income attributable to non-controlling interests			3				3
Net income/loss after attribution of non-controlling interests	592	256	80	321	-3	0	1 246
Interest on contingent capital instruments	-5	-12					-17
Net income/loss attributable to common shareholders	587	244	80	321	-3	0	1 229
Claims ratio in %	60.0		57.0				59.5
Expense ratio in %	33.3		33.4				33.3
Combined ratio in %	93.3		90.4				92.8
Management expense ratio in %		5.2					
Net operating margin in %	18.0	12.1	12.3	44.9	1.1		17.8

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	8 279	5 849	917	1 208	397	-6 983	9 667
Total assets	78 176	55 311	19 065	54 436	9 622	-20 475	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	9 799	8 871	1 187	1 925	2 652	-7 905	16 529
Total liabilities	64 837	48 763	16 737	49 494	3 170	-20 472	162 529
Shareholders' equity	13 316	6 548	2 262	4 942	6 452	-3	33 517
Non-controlling interests	23		66				89
Total equity	13 339	6 548	2 328	4 942	6 452	-3	33 606
Total liabilities and equity	78 176	55 311	19 065	54 436	9 622	-20 475	196 135

¹ 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 restated accordingly.

Business segments – balance sheet

As of 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	34 029	31 496	5 590	26 805	16		97 936
Equity securities	1 914	937	911	1	593		4 356
Other investments	13 987	2 121	270	3 405	5 296	-6 974	18 105
Short-term investments	3 513	1 549	1 322	1 298	508		8 190
Investments for unit-linked and with-profit business		628		34 301			34 929
Cash and cash equivalents	5 159	497	936	4 310	243		11 145
Deferred acquisition costs	2 569	3 219	379	19			6 186
Acquired present value of future profits		1 105		1 189			2 294
Reinsurance recoverable	2 829	1 637	6 311	2 679		-5 189	8 267
Other reinsurance assets	11 606	7 729	2 209	4 160	3	-1 329	24 378
Goodwill	1 906	1 890	175	151			4 122
Other	10 167	4 668	1 249	2 057	3 879	-10 442	11 578
Total assets	87 679	57 476	19 352	80 375	10 538	-23 934	231 486
Liabilities							
Unpaid claims and claim adjustment expenses	40 311	10 365	10 672	1 509		-5 173	57 684
Liabilities for life and health policy benefits		15 901	260	30 137		-17	46 281
Policyholder account balances		1 411		35 391			36 802
Other reinsurance liabilities	13 866	2 565	3 984	1 280	3	-1 901	19 797
Short-term debt	752	1 818		791	505	-1 485	2 381
Long-term debt	4 111	9 601	496	788	61	-4 071	10 986
Other	16 578	8 750	1 411	3 305	2 776	-11 284	21 536
Total liabilities	75 618	50 411	16 823	73 201	3 345	-23 931	195 467
Shareholders' equity	12 038	7 065	2 462	7 174	7 193	-3	35 929
Non-controlling interests	23		67				90
Total equity	12 061	7 065	2 529	7 174	7 193	-3	36 019
Total liabilities and equity	87 679	57 476	19 352	80 375	10 538	-23 934	231 486

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

For the three months ended 31 March

2015 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	2 844	2 220	1 136		6 200
Net premiums written	2 814	2 215	1 099		6 128
Change in unearned premiums	-1 295	-562	-504		-2 361
Premiums earned					
Net investment income				279	279
Net realised investment gains/losses				197	197
Other revenues				13	13
Total revenues	1 519	1 653	595	489	4 256
Expenses					
Claims and claim adjustment expenses	-654	-1 072	-236		-1 962
Acquisition costs	-290	-493	-134		-917
Operating expenses ¹	-166	-94	-37		-297
Total expenses before interest expenses	-1 110	-1 659	-407	0	-3 176
Income/loss before interest and income tax expense					
Interest expenses ¹				-63	-63
Income/loss before income tax expense	409	-6	188	426	1 017
Claims ratio in %	43.1	64.9	39.7		52.1
Expense ratio in %	30.0	35.5	28.7		32.2
Combined ratio in %	73.1	100.4	68.4		84.3

¹ Letter of credit fees of USD 3 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

Property & Casualty Reinsurance business segment – by line of business

For the three months ended 31 March

2016 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	2 651	3 255	1 102		7 008
Net premiums written	2 599	3 251	1 098		6 948
Change in unearned premiums	-1 067	-1 427	-498		-2 992
Premiums earned	1 532	1 824	600		3 956
Net investment income				237	237
Net realised investment gains/losses				296	296
Other revenues				11	11
Total revenues	1 532	1 824	600	544	4 500
Expenses					
Claims and claim adjustment expenses	-754	-1 331	-289		-2 374
Acquisition costs	-331	-570	-136		-1 037
Operating expenses	-155	-90	-35		-280
Total expenses before interest expenses	-1 240	-1 991	-460	0	-3 691
Income/loss before interest and income tax expense	292	-167	140	544	809
Interest expenses				-69	-69
Income/loss before income tax expense	292	-167	140	475	740
Claims ratio in %	49.2	73.0	48.2		60.0
Expense ratio in %	31.7	36.2	28.5		33.3
Combined ratio in %	80.9	109.2	76.7		93.3

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

For the three months ended 31 March

2015 USD millions	Life	Health	Unallocated	Total ¹
Revenues				
Gross premium written	2 045	1 056		3 101
Net premiums written	1 745	1 034		2 779
Change in unearned premiums	-52	-135		-187
Premiums earned	1 693	899		2 592
Fee income from policyholders	15			15
Net investment income – non-participating business	216	118		334
Net realised investment gains/losses – non-participating business	10	-1	150	159
Net investment result – unit-linked and with-profit business	75			75
Other revenues	2			2
Total revenues	2 011	1 016	150	3 177
Expenses				
Life and health benefits	-1 324	-650		-1 974
Return credited to policyholders	-83			-83
Acquisition costs	-305	-176		-481
Operating expenses ²	-140	-50		-190
Total expenses before interest expenses	-1 852	-876	0	-2 728
Income before interest and income tax expense	159	140	150	449
Interest expenses ²			-88	-88
Income before income tax expense	159	140	62	361
Management expense ratio in %	7.3	4.9		6.5
Net operating margin ³ in %	8.2	13.8		14.5

¹ The primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment.

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

³ 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 31 March

2016 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premium written	2 237	1 168		3 405
Net premiums written	1 935	1 146		3 081
Change in unearned premiums	-63	-195		-258
Premiums earned	1 872	951		2 823
Fee income from policyholders	12			12
Net investment income – non-participating business	218	115		333
Net realised investment gains/losses – non-participating business			107	107
Net investment result – unit-linked and with-profit business	-63			-63
Other revenues	5			5
Total revenues	2 044	1 066	107	3 217
Expenses				
Life and health benefits	-1 385	-689		-2 074
Return credited to policyholders	60			60
Acquisition costs	-451	-189		-640
Operating expenses	-116	-49		-165
Total expenses before interest expenses	-1 892	-927	0	-2 819
Income before interest and income tax expense	152	139	107	398
Interest expenses			-78	-78
Income before income tax expense	152	139	29	320
Management expense ratio in %	5.5	4.6		5.2
Net operating margin ¹ in %	7.2	13.0		12.1

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 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Premiums earned, thereof:					
Direct		10	704	298	1 012
Reinsurance	3 823	2 757	201	34	6 815
Intra-group transactions (assumed and ceded)	-2	148	2	-148	0
Premiums earned before retrocession to external parties					
	3 821	2 915	907	184	7 827
Retrocession to external parties	-54	-323	-25	-12	-414
Net premiums earned	3 767	2 592	882	172	7 413
Fee income from policyholders, thereof:					
Direct				110	110
Reinsurance		15		24	39
Net fee income	0	15	0	134	149

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 restated accordingly.

Premiums earned and fees assessed against policyholders

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Premiums earned, thereof:					
Direct		10	673	328	1 011
Reinsurance	3 972	2 977	258	32	7 239
Intra-group transactions (assumed and ceded)	20	161	-20	-161	0
Premiums earned before retrocession to external parties	3 992	3 148	911	199	8 250
Retrocession to external parties	-36	-325	-46	-31	-438
Net premiums earned	3 956	2 823	865	168	7 812
Fee income from policyholders, thereof:					
Direct				94	94
Reinsurance		12		22	34
Net fee income	0	12	0	116	128

Claims and claim adjustment expenses

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Claims paid, thereof:					
Gross claims paid to external parties	-1 933	-2 243	-533	-454	-5 163
Intra-group transactions (assumed and ceded)	-87	-111	87	111	0
Claims before receivables from retrocession to external parties					
Retrocession to external parties	153	323	39	10	525
Net claims paid	-1 867	-2 031	-407	-333	-4 638
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	-58	74	94	-53	57
Intra-group transactions (assumed and ceded)	138	-6	-138	6	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties					
Retrocession to external parties	-175	-11	-22	-3	-211
Net unpaid claims and claim adjustment expenses; life and health benefits	-95	57	-66	-50	-154
Claims and claim adjustment expenses; life and health benefits	-1 962	-1 974	-473	-383	-4 792

Acquisition costs

For the three months ended 31 March

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	-932	-519	-121	-43	-1 615
Intra-group transactions (assumed and ceded)		-20		20	0
Acquisition costs before impact of retrocession to external parties					
Retrocession to external parties	15	58	3	1	77
Net acquisition costs	-917	-481	-118	-22	-1 538

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 restated accordingly.

Claims and claim adjustment expenses

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Claims paid, thereof:					
Gross claims paid to external parties	-2 007	-2 977	-444	-824	-6 252
Intra-group transactions (assumed and ceded)	-46	-115	46	115	0
Claims before receivables from retrocession to external parties					
Retrocession to external parties	99	343	53	40	535
Net claims paid	-1 954	-2 749	-345	-669	-5 717
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	-499	708	-15	207	401
Intra-group transactions (assumed and ceded)	146	-20	-146	20	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties					
Retrocession to external parties	-67	-13	13	-23	-90
Net unpaid claims and claim adjustment expenses; life and health benefits	-420	675	-148	204	311
Claims and claim adjustment expenses; life and health benefits	-2 374	-2 074	-493	-465	-5 406

Acquisition costs

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-1 037	-675	-131	-6	-1 849
Intra-group transactions (assumed and ceded)	-7	-20	7	20	0
Acquisition costs before impact of retrocession to external parties					
Retrocession to external parties	7	55	12	2	76
Net acquisition costs	-1 037	-640	-112	16	-1 773

Reinsurance receivables

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

USD millions	2015	2016
Premium receivables invoiced	1 441	1 985
Receivables invoiced from ceded re/insurance business	201	423
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	171	104
Recognised allowance	-56	-57

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. In the three months ended 31 March 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 31 March 2015 and 2016 was USD 24 million and USD 71 million, respectively.

4 Premiums written

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Consolidation	Total
Gross premiums written, thereof:						
Direct		10	531	493		1 034
Reinsurance	6 066	2 845	97	34		9 042
Intra-group transactions (assumed)	134	246	46		-426	0
Gross premiums written	6 200	3 101	674	527	-426	10 076
Intra-group transactions (ceded)	-46		-134	-246	426	0
Gross premiums written before retrocession to external parties	6 154	3 101	540	281		10 076
Retrocession to external parties	-26	-322	-34	-12		-394
Net premiums written	6 128	2 779	506	269	0	9 682

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Consolidation	Total
Gross premiums written, thereof:						
Direct		10	495	570		1 075
Reinsurance	6 869	3 134	284	33		10 320
Intra-group transactions (assumed)	139	261	25		-425	0
Gross premiums written	7 008	3 405	804	603	-425	11 395
Intra-group transactions (ceded)	-25		-139	-261	425	0
Gross premiums written before retrocession to external parties	6 983	3 405	665	342		11 395
Retrocession to external parties	-35	-324	-77	-87		-523
Net premiums written	6 948	3 081	588	255	0	10 872

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 restated accordingly.

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

As of 31 December 2015 and 31 March 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	1 503	258	100	13	1 874
Amortisation	-1 024	-101	-110	-8	-1 243
Effect of foreign currency translation	39	42	2	1	84
Closing balance	2 569	3 219	379	19	6 186

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 restated 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 31 March 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			-631	-631	-631
Amortisation	-30	-2	11	9	-21
Interest accrued on unamortised PVFP	9	21	-3	18	27
Effect of foreign currency translation	-8	-31	-5	-36	-44
Effect of change in unrealised gains/losses		-1		-1	-1
Closing balance	1 105	1 817	-628	1 189	2 294

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 annual Financial Report).

6 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) for the three months ended 31 March was as follows:

USD millions	2015	2016
Fixed income securities	650	692
Equity securities	14	20
Policy loans, mortgages and other loans	32	48
Investment real estate	36	44
Short-term investments	23	19
Other current investments	36	57
Share in earnings of equity-accounted investees	20	13
Cash and cash equivalents	11	9
Net result from deposit-accounted contracts	21	15
Deposits with ceding companies	136	116
Gross investment income	979	1 033
Investment expenses	-86	-95
Interest charged for funds held	-3	-4
Net investment income – non-participating business	890	934

Dividends received from investments accounted for using the equity method were USD 80 million and USD 54 million for the three months ended 31 March 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 three months ended 31 March were as follows:

USD millions	2015	2016
Fixed income securities available-for-sale:		
Gross realised gains	381	284
Gross realised losses	-40	-134
Equity securities available-for-sale:		
Gross realised gains	77	63
Gross realised losses	-16	-53
Other-than-temporary impairments	-5	-33
Net realised investment gains/losses on trading securities	39	54
Change in net unrealised investment gains/losses on trading securities	27	64
Net realised/unrealised gains/losses on other investments	-83	9
Net realised/unrealised gains/losses on insurance-related activities	35	247
Foreign exchange gains/losses	144	191
Net realised investment gains/losses – non-participating business	559	692

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 three months ended 31 March was as follows:

USD millions	2015		2016	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	21	22	27	35
Investment income – equity securities	139	8	167	24
Investment income – other	9	5	6	4
Total investment income – unit-linked and with-profit business	169	35	200	63
Realised gains/losses – fixed income securities	27	32	75	65
Realised gains/losses – equity securities	1 127	51	–9	23
Realised gains/losses – other			–7	–5
Total realised gains/losses – unit-linked and with-profit business	1 154	83	59	83
Total net investment result – unit-linked and with-profit business	1 323	118	259	146

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 three months ended 31 March 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	–10	–12
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	–2	–2
Impact of foreign exchange movements	–4	
Balance as of 31 March	125	143

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 31 March 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 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	11 786	835	-6		12 615
US Agency securitised products	3 583	55	-11		3 627
States of the United States and political subdivisions of the states	1 302	91	-5		1 388
United Kingdom	8 628	1 043	-28		9 643
Canada	4 188	598	-22		4 764
Germany	3 025	392	-8		3 409
France	2 113	359	-3		2 469
Other	8 489	423	-73		8 839
Total	43 114	3 796	-156		46 754
Corporate debt securities	40 764	2 090	-294	-1	42 559
Mortgage- and asset-backed securities	5 646	143	-29	-5	5 755
Fixed income securities available-for-sale	89 524	6 029	-479	-6	95 068
Equity securities available-for-sale	3 932	501	-165		4 268

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 31 March 2016 were as follows:

USD millions	2015	2016
Debt securities issued by governments and government agencies	2 710	2 616
Corporate debt securities	52	124
Mortgage- and asset-backed securities	134	128
Fixed income securities trading – non-participating business	2 896	2 868
Equity securities trading – non-participating business	68	88

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 31 March 2016 were as follows:

USD millions	2015		2016	
	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 410	1 659	2 717	3 263
Equity securities trading	21 894	889	24 917	2 180
Investment real estate	691	366	692	350
Other invested assets	332		810	
Total investments for unit-linked and with-profit business	25 327	2 914	29 136	5 793

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 31 March 2016, USD 12 725 million and USD 15 369 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	6 356	6 396
Due after one year through five years	19 370	19 671	20 023	20 463
Due after five years through ten years	16 577	17 101	20 496	21 555
Due after ten years	30 611	32 952	37 289	41 187
Mortgage- and asset-backed securities with no fixed maturity	4 723	4 800	5 360	5 467
Total fixed income securities available-for-sale	76 155	79 435	89 524	95 068

Assets pledged

As of 31 March 2016, investments with a carrying value of USD 7 329 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 11 201 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2015 and 31 March 2016, securities of USD 15 828 million and USD 15 402 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 2 383 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 March 2016, a real estate portfolio with a carrying value of USD 232 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 31 March 2016, the fair value of the equity securities, the government and corporate debt securities received as collateral was USD 7 030 million and USD 6 686 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2015 and 31 March 2016 was USD 2 429 million and USD 2 685 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 31 March 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	3 899	-2 348	1 551	-4	1 547
Reverse repurchase agreements	5 855	-1 626	4 229	-4 228	1
Securities borrowing	359		359	-359	0
Total	10 113	-3 974	6 139	-4 591	1 548

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	-3 215	1 973	-1 242	106	-1 136
Repurchase agreements	-2 622	1 101	-1 521	1 521	0
Securities lending	-1 387	525	-862	775	-87
Total	-7 224	3 599	-3 625	2 402	-1 223

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if offset on balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in "Other invested assets" and "Accrued expenses and other liabilities", respectively.

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 31 March 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	1 166	1 044	161	135	2 506
Corporate debt securities	116				116
Total repurchase agreements	1 282	1 044	161	135	2 622
Securities lending					
Debt securities issued by governments and government agencies	131		672	451	1 254
Corporate debt securities			107		107
Equity securities	26				26
Total securities lending	157	0	779	451	1 387
Gross amount of recognised liabilities for repurchase agreements and securities lending					4 009

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 31 March 2016. As of 31 December 2015 and 31 March 2016, USD 161 million and USD 145 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 20 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	2 504	6			2 504	6
US Agency securitised products	877	8	201	3	1 078	11
States of the United States and political subdivisions of the states	101	5			101	5
United Kingdom	976	19	52	9	1 028	28
Canada	1 071	5	97	17	1 168	22
Germany	113	8	125	0	238	8
France	39	3			39	3
Other	2 302	55	170	18	2 472	73
Total	7 983	109	645	47	8 628	156
Corporate debt securities	7 904	275	199	20	8 103	295
Mortgage- and asset-backed securities	1 535	25	172	9	1 707	34
Total	17 422	409	1 016	76	18 438	485

Mortgages, loans and real estate

As of 31 December 2015 and 31 March 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	90
Mortgage loans	1 946	2 433
Other loans	1 086	1 682
Investment real estate	1 556	1 845

The fair value of the real estate as of 31 December 2015 and 31 March 2016 was USD 3 211 million and USD 3 574 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 7 million and USD 9 million for the three months ended 31 March 2015 and 2016, respectively. Accumulated depreciation on investment real estate totalled USD 504 million and USD 527 million as of 31 December 2015 and 31 March 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 three months ended 31 March 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 includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in 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 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 31 March 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	12 534	84 481	921			97 936
Debt securities issued by US government and government agencies	12 534	2 103				14 637
US Agency securitised products		3 641				3 641
Debt securities issued by non-US governments and government agencies		31 092				31 092
Corporate debt securities		41 774	909			42 683
Mortgage- and asset-backed securities		5 871	12			5 883
Fixed income securities backing unit-linked and with-profit business		5 980				5 980
Equity securities held for proprietary investment purposes	4 333		23			4 356
Equity securities backing unit-linked and with-profit business	27 097					27 097
Short-term investments held for proprietary investment purposes	3 814	4 376				8 190
Short-term investments backing unit-linked and with-profit business		62				62
Derivative financial instruments	39	3 331	529	-2 348		1 551
Interest rate contracts	8	2 317				2 325
Foreign exchange contracts		444				444
Equity contracts	22	567	406			995
Credit contracts		3	1			4
Other contracts	9		122			131
Investment real estate			265			265
Other invested assets	302	537	532		1 023	2 394
Other investments backing unit-linked and with-profit business		536				536
Funds held by ceding companies		244				244
Total assets at fair value	48 119	99 547	2 270	-2 348	1 023	148 611
Liabilities						
Derivative financial instruments	-41	-2 262	-912	1 973		-1 242
Interest rate contracts	-8	-1 267				-1 275
Foreign exchange contracts	-1	-430				-431
Equity contracts	-13	-565	-48			-626
Credit contracts			-17			-17
Other contracts	-19		-847			-866
Liabilities for life and health policy benefits			-176			-176
Accrued expenses and other liabilities	-617	-2 862				-3 479
Total liabilities at fair value	-658	-5 124	-1 088	1 973	0	-4 897

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 31 March 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		84	13	5	105	-113	-12	-125
Included in other comprehensive income	-7					-7			0
Purchases	568	1			37	606			0
Issuances						0	-8		-8
Sales	-32			-22		-54	16		16
Settlements	-2		-8			-10	-14		-14
Transfers into level 3 ¹			6		12	18	-5		-5
Transfers out of level 3 ¹		-12				-12			0
Impact of foreign exchange movements	-2				3	1		1	1
Closing balance as of 31 March	921	23	529	265	532	2 270	-912	-176	-1 088

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 three months ended 31 March were as follows:

USD millions	2015	2016
Gains/losses included in net income for the period	-9	-20
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	13	-51

Assets and liabilities measured at fair value on a non-recurring basis

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of FASB Codification Subtopic 360-10, loans held for sale with a carrying amount of USD 116 million were written down to their fair value of USD 109 million, resulting in a loss of USD 7 million, which was included in earnings for the period in "Net realised investment gains/losses – non-participating business". This non-recurring fair value measurement was based on level 3 unobservable inputs using a discounted cash flow approach by an external vendor.

Quantitative information about level 3 fair value measurements

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

USD millions	2015 Fair value	2016 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	380	909			
Private placement corporate debt	241	601	Corporate Spread Matrix	Credit spread	96 bps–760 bps (249 bps)
Private placement credit tenant leases	51	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Infrastructure loan	86	88	Discounted Cash Flow Model	Valuation spread	181 bps–196 bps (185 bps)
Derivative equity contracts	334	406			
OTC equity option referencing correlated equity indices	334	406	Proprietary Option Model	Correlation	–60%–100% (20%) ¹
Investment real estate		265	Discounted Cash Flow Model	Discount rate due to lifetime lease	5% per annum
Liabilities					
Derivative equity contracts	–38	–48			
OTC equity option referencing correlated equity indices	–38	–48	Proprietary Option Model	Correlation	–60%–100% (20%) ¹
Other derivative contracts and liabilities for life and health policy benefits	–689	–1 023			
Variable annuity and fair valued GMDB contracts	–567	–695	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		–201	Discounted Cash Flow Model	Discount rate due to lifetime lease	5% per annum
Weather contracts	–82	–84	Proprietary Option Model	Risk Margin Correlation Volatility (power/gas) Volatility (temperature) Index value (temperature)	8%–11% (9%) –90%–63% (–19%) 32%–84% (49%) 0–204 (23) HDD/ CAT ² 175–4924 (2197) 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 31 March 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	619	184	non-redeemable	n.a.
Hedge funds	135	134		redeemable ¹	45–95 days ²
Private equity direct	121	77		non-redeemable	n.a.
Real estate funds	203	193	93	non-redeemable	n.a.
Total	1 145	1 023	277		

¹ The redemption frequency varies by position.

² Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including global macro, relative value, event-driven and long/short equity across various asset classes.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis.

The Group elected the fair value option for positions in the following line items in the balance sheet:

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.

Investments for 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.

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.

Accrued expenses and other 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.

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 31 March 2016 were as follows:

USD millions	2015	2016
Assets		
Other invested assets	10 367	12 055
of which at fair value pursuant to the fair value option	449	488
Funds held by ceding companies	9 870	8 906
of which at fair value pursuant to the fair value option	245	244
Investments for unit-linked and with-profit business		34 929
of which at fair value pursuant to the fair value option		536
Liabilities		
Liabilities for life and health policy benefits	-30 131	-46 281
of which at fair value pursuant to the fair value option	-165	-176
Accrued expenses and other liabilities		-11 988
of which at fair value pursuant to the fair value option		-201

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 three months ended 31 March were as follows:

USD millions	2015	2016
Other invested assets	-40	2
Funds held by ceding companies	3	-1
Investments for unit-linked and with-profit business		3
Liabilities for life and health policy benefits	13	-12
Accrued expenses and other liabilities		6
Total	-24	-2

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 and 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 31 March 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		90	90
Mortgage loans		2 433	2 433
Other loans		1 682	1 682
Investment real estate		3 309	3 309
Total assets	0	7 514	7 514
Liabilities			
Debt	-8 852	-6 450	-15 302
Total liabilities	-8 852	-6 450	-15 302

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. Considering these circumstances, the Group presents the carrying amount as an approximation for the fair value.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

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 31 March 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	84 596	2 325	-1 275	1 050
Foreign exchange contracts	23 976	442	-231	211
Equity contracts	17 002	995	-626	369
Credit contracts	215	4	-17	-13
Other contracts	18 276	131	-866	-735
Total	144 065	3 897	-3 015	882
Derivatives designated as hedging instruments				
Foreign exchange contracts	6 714	2	-200	-198
Total	6 714	2	-200	-198
Total derivative financial instruments	150 779	3 899	-3 215	684
Amount offset				
Where a right of set-off exists		-1 590	1 590	
Due to cash collateral		-758	383	
Total net amount of derivative financial instruments		1 551	-1 242	309

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 31 March 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. For the three months ended 31 March, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2015	2016
Derivatives not designated as hedging instruments		
Interest rate contracts	-30	459
Foreign exchange contracts	219	112
Equity contracts	-102	-147
Credit contracts	-1	1
Other contracts	53	-96
Total gain/loss recognised in income	139	329

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 March, 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. For the three months ended 31 March, the gains and losses attributable to the hedged risks were as follows:

USD millions	Gains/losses on derivatives	2015 Gains/losses on hedged items	Gains/losses on derivatives	2016 Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	119	-119	-205	205
Total gain/loss recognised in income	119	-119	-205	205

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 three months ended 31 March 2016, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 1 631 million and a gain of USD 1 411 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 31 March 2016 was approximately USD 1 551 million and USD 2 309 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 128 million as of 31 December 2015 and 31 March 2016, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil as of 31 December 2015 and 31 March 2016, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 128 million additional collateral would have had to be posted as of 31 March 2016. The total equals the amount needed to settle the instruments immediately as of 31 March 2016.

9 Acquisitions

IHC Risk Solutions Corporation

On 31 March 2016, Swiss Re Corporate Solutions acquired 100% of the shares of IHC Risk Solutions, LLC, a leading US employer stop loss underwriter. The cost of the acquisition was USD 153 million. The transaction includes IHC Risk Solutions' operations, its team of experts and business portfolio, including in-force, new and renewal business by IHC Risk Solutions. This acquisition broadens the Group's current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment.

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 31 March 2016, Guardian generated USD 526 million (including net investment result – unit-linked and with-profit business of USD 108 million) in revenues and USD 274 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 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. Consequently, the estimates might change. 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	1 751
Negative acquired present value of future profits	-641
Deferred tax assets	119
Other assets	11
Total assets acquired	25 611
Liabilities	
Unpaid claims and claims adjustment expenses	56
Liabilities for life and health policy benefits	16 535
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	23 435
Total net assets acquired	2 176

Intangible assets

Historic intangible assets including goodwill have been eliminated. The Group has established negative acquired present value of future profits (negative 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 31 March 2016, remained unchanged at constant foreign exchange rates.

Receivables

Receivables acquired consisted of the following:

2016 USD millions	Fair value	Gross 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 results (unaudited)

The following table shows the Group's unaudited pro forma consolidated information for the three months ended 31 March 2015, assuming that the acquisition had occurred on 1 January 2015:

USD millions	2015
Total revenues	11 443
Net income	1 644

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

The pro forma results 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 31 March 2016 was as follows:

USD millions	2015	2016
Senior financial debt		791
Senior operational debt	765	505
Subordinated financial debt	1 069	1 085
Short-term debt – financial and operational debt	1 834	2 381
Senior financial debt	3 688	3 711
Senior operational debt	467	422
Subordinated financial debt	4 103	4 186
Subordinated operational debt	2 720	2 667
Long-term debt – financial and operational debt	10 978	10 986
Total carrying value	12 812	13 367
Total fair value	14 355	15 302

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 31 March 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 3.6 billion (thereof USD 2.7 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 31 March was as follows:

USD millions	2015	2016
Senior financial debt	30	29
Senior operational debt	3	3
Subordinated financial debt	73	49
Subordinated operational debt	34	32
Total	140	113

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 31 March 2015 and 2016, respectively.

Long-term debt issued in 2016

No long-term debt was issued in the first quarter 2016.

11 Earnings per share

Earnings per share for the three months ended 31 March were as follows:

USD millions (except share data)	2015	2016
Basic earnings per share		
Net income	1 457	1 243
Non-controlling interests		3
Interest on contingent capital instruments ¹	-17	-17
Net income attributable to common shareholders	1 440	1 229
Weighted average common shares outstanding	342 110 887	333 979 460
Net income per share in USD	4.21	3.68
Net income per share in CHF²	4.00	3.68
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments ¹	17	17
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192
Change in average number of shares due to employee options	2 450 503	2 219 012
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	1 457	1 246
Weighted average common shares outstanding	380 306 582	371 943 664
Net income per share in USD	3.83	3.35
Net income per share in CHF²	3.64	3.34

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 2015, the Group paid a dividend per share of CHF 4.25, as well as an additional special dividend of CHF 3.00. All dividends were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions. On 23 February 2016, the Board of Directors of the Group proposed a dividend of CHF 4.60 for the 2015 financial year to be paid in 2016. This was approved by shareholders at the Annual General Meeting on 22 April 2016.

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 by way of 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.

12 Variable interest entities

The adoption of ASU 2015-2 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 involvements 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 involvements 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.

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 2015-2 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, primarily holding loans and structured securities, where the Group holds the entire variable interest and participated in the entity's formation. As the contractual termination of the Group's interests in the vehicle will take place in 2016, the loans are classified as held for sale in the Group's consolidated balance sheet. The securities are classified as trading.

The Group's variable interests in investment partnerships arise through ownership of the limited partner interests. Many investment partnerships are VIEs under ASU 2015-2, 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.

Notes to the Group financial statements (unaudited)

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 2015-2, 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 31 March 2016:

USD millions	2015	2016
Fixed income securities:		
Available-for-sale	3 876	4 092
Trading		69
Equity securities available-for-sale		1
Policy loans, mortgages and other loans		109
Investment real estate		265
Short-term investments	88	257
Other invested assets	26	2
Cash and cash equivalents	147	485
Accrued investment income	42	53
Premiums and other receivables	34	48
Deferred acquisition costs	9	12
Deferred tax assets	38	47
Other assets	8	224
Total assets	4 268	5 664
Unpaid claims and claim adjustment expenses	53	67
Liabilities for life and health policy benefits		2
Unearned premiums	26	32
Reinsurance balances payable	2	13
Deferred and other non-current tax liabilities	96	145
Accrued expenses and other liabilities	17	279
Long-term debt	2 720	2 667
Total liabilities	2 914	3 205

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 31 March 2016:

USD millions	2015	2016
Fixed income securities available-for-sale	52	382
Equity securities available-for-sale		571
Policy loans, mortgages and other loans	1	808
Other invested assets	1 706	2 751
Investments for unit-linked and with-profit business		8 782
Other assets		1
Total assets	1 759	13 295
Accrued expenses and other liabilities	45	66
Total liabilities	45	66

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 31 March 2016:

USD millions	2015				2016			
	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities
Insurance-linked securitisations	52		52	52	294		294	294
Life and health funding vehicles	2	1	1 777	1 776	3	1	1 804	1 803
Swaps in trusts	146	44	– ²	–	108	65	– ²	–
Debt financing	361		27	27	355		26	26
Investment vehicles	1 009		1 011	1 011	2 863		2 864	2 864
Investment vehicles for unit-linked and with-profit business					8 782		–	–
Commercial mortgage / infrastructure loans					890		890	890
Other	189		189	189				
Total	1 759	45	–	–	13 295	66	–	–

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 three months ended 31 March 2015 and 2016 were USD 29 million and USD 28 million, respectively.

Employer's contributions for 2016

For the three months ended 31 March 2016, the Group contributed USD 49 million to its defined benefit pension plans and USD 4 million to other post-retirement plans, compared to USD 57 million and USD 4 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 31 March 2016 for the latest information, amount to USD 155 million and USD 16 million, respectively.

14 Subsequent events

Cancellation of Swiss Re shares

At the 152nd Annual General Meeting held on 22 April 2016, Swiss Re Ltd's shareholders approved the cancellation of shares, repurchased under the share buy-back programme launched in November 2015 and completed on 2 March 2016.

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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.

Despite signs of moderate increase in global growth forecasts and positive macro-economic trends in the United States, growth forecasts among the principal global economies remain uneven and uncertain, and that uncertainty has been compounded by significant volatility in equity, currency and commodities markets. Slower growth rates in China, together with the actions taken on its currency, and drastic reductions in the price of oil, together with volatility in foreign currency and investment markets caused by interest rate action in the United States; 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; concerns over a possible exit of the United Kingdom from the European Union; 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 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, have contributed to downward pressure on the capital markets and in turn on market capitalisation of many listed companies, call into question the likelihood of continued recovery of the global economies and are beginning to raise the spectre of another global recession.

With 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 our ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to us and could adversely affect the confidence of the ultimate buyers of insurance. 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 portfolio and/or make it difficult to acquire suitable investments to meet the Group's risk and return criteria.

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 organised 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 or its securities. 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.

Significant policy decisions on a range of regulatory changes that could affect the Group and its operations remain undecided. The Group cannot predict which legislative and regulatory initiatives ultimately will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. Certain of these initiatives could have a material impact on the Group’s business.

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

Market risk

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

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

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

Credit risk

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

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

Liquidity risks

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

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

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

Counterparty risks

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

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

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies, and market conditions could increase the risk of downgrade. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies.

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

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe.

Legal and regulatory risks

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

The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgements, 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 is also subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies

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

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

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 lifetime 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.

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Corporate calendar

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Third quarter 2016 results

2 December 2016

Investors' Day in Zurich

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