

NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-Q
December 30, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY**

Investment Company Act file number 811-21137

Nuveen Quality Preferred Income Fund 2

(Exact name of registrant as specified in charter)

333 West Wacker Drive, Chicago, Illinois 60606

(Address of principal executive offices) (Zip code)

Kevin J. McCarthy Vice President and Secretary
333 West Wacker Drive, Chicago, Illinois 60606

(Name and address of agent for service)

Registrant's telephone number, including area code: 312-917-7700

Date of fiscal year

end: 7/31

Date of reporting period: 10/31/14

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

Portfolio of Investments
Nuveen Quality Preferred Income Fund 2 (JPS)
October 31, 2014 (Unaudited)

Shares	Description (1)	Coupon	Ratings (2)	Value
LONG-TERM INVESTMENTS 136.5% (98.8% of Total Investments)				
CONVERTIBLE PREFERRED SECURITIES 0.4% (0.3% of Total Investments)				
Banks 0.4%				
4,300	Wells Fargo & Company Total Convertible Preferred Securities (cost \$5,004,125)	7.500%	BBB	\$ 5,177,200 5,177,200
Shares	Description (1)	Coupon	Ratings (2)	Value
\$25 PAR (OR SIMILAR) RETAIL PREFERRED 46.4% (33.5% of Total Investments)				
Banks 9.6%				
60,500	AgriBank FCB, (3)	6.875%	BBB+	\$ 6,208,813
150,000	Barclays Bank PLC	8.125%	BB+	3,871,500
271,589	Citigroup Capital XIII	7.875%	BBB-	7,229,699
411,100	Citigroup Inc.	6.875%	BB+	11,001,036
1,200	Citigroup Inc.	5.800%	BB+	29,040
117,000	City National Corporation, Series C	5.500%	Baa3	2,636,010
60,000	Fifth Third Bancorp.	6.625%	BB+	1,627,800
146,500	First Niagara Finance Group	8.625%	BB	4,087,350
324,100	General Electric Capital Corporation	4.875%	AA+	8,011,752
110,767	General Electric Capital Corporation	4.875%	AA+	2,752,560
140,372	General Electric Capital Corporation	4.700%	AA+	3,356,295
417,415	HSBC Holdings PLC	8.000%	BBB+	11,186,722
102,700	HSBC Holdings PLC	6.200%	Baa2	2,621,931
40,100	HSBC USA Inc.	6.500%	BBB+	1,021,347
100,000	HSBC USA Inc.	4.500%	Baa1	2,510,000
74,000	HSBC USA Inc.	2.858%	BBB+	3,689,640
12,636	JPMorgan Chase & Company	6.300%	BBB-	315,395
82,300	JPMorgan Chase & Company	5.500%	BBB-	1,900,307
1,214,400	PNC Financial Services	6.125%	BBB-	33,080,256
100,990	Royal Bank of Scotland Group PLC	6.750%	B+	2,538,889
170,000	Wells Fargo & Company	5.850%	BBB	4,413,200
	Total Banks			114,089,542
Capital Markets 4.5%				
60,000	Affiliated Managers Group Inc.	6.375%	BBB	1,563,600
1,284,535	Deutsche Bank Capital Funding Trust II	6.550%	BBB-	33,282,301
13,800	Deutsche Bank Capital Funding Trust IX	6.625%	BBB-	351,210
91,791	Deutsche Bank Capital Funding Trust VIII	6.375%	BBB-	2,314,051
47,579	Deutsche Bank Contingent Capital Trust III	7.600%	BBB-	1,304,140
333,629	Goldman Sachs Group, Inc.	5.500%	BB	7,983,742
790	Morgan Stanley	7.125%	BB	21,535
30,796	Morgan Stanley Capital Trust III	6.250%	Ba1	787,146
2,800	Morgan Stanley Capital Trust V	5.750%	Ba1	70,784
1,800	Morgan Stanley Capital Trust VIII	6.450%	Ba1	45,918
37,600	State Street Corporation	5.900%	BBB	981,360
180,922	State Street Corporation	5.250%	BBB	4,416,306
	Total Capital Markets			53,122,093
Diversified Financial Services 3.2%				
768,094	ING Groep N.V.	7.200%	Ba1	19,663,206
731,274	ING Groep N.V.	7.050%	Ba1	18,625,549
	Total Diversified Financial Services			38,288,755
Diversified Telecommunication Services 3.1%				
184,004	Qwest Corporation	7.500%	BBB-	4,912,907
96,790	Qwest Corporation	7.375%	BBB-	2,553,320
383,205	Qwest Corporation	7.000%	BBB-	9,829,208

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26,600	Qwest Corporation	7.000%	BBB-	684,418
216,000	Qwest Corporation	6.875%	BBB-	5,523,120
296,095	Qwest Corporation	6.125%	BBB-	6,970,076
234,900	Verizon Communications Inc.	5.900%	A-	6,083,910
	Total Diversified Telecommunication Services			36,556,959
	Electric Utilities 3.0%			
360,400	Alabama Power Company, (3)	6.450%	A3	9,629,456
72,419	Duke Energy Capital Trust II	5.125%	Baa1	1,757,609
12,952	Entergy Arkansas Inc.	5.750%	A-	329,499
194,200	Entergy Arkansas Inc.	4.750%	A-	4,408,340
60,296	Entergy Louisiana LLC	5.875%	A2	1,542,975
25,000	Entergy Louisiana LLC	5.250%	A2	625,000
56,142	Entergy Louisiana LLC	4.700%	A2	1,246,914
10,000	Gulf Power Company, (3)	5.600%	BBB+	934,971
152,000	Integrays Energy Group Inc.	6.000%	Baa1	3,970,240
145,100	Interstate Power and Light Company	5.100%	BBB	3,642,010
80,146	NextEra Energy Inc.	5.700%	BBB	2,018,878
152,000	NextEra Energy Inc.	5.625%	BBB	3,795,440
51,349	NextEra Energy Inc.	5.125%	BBB	1,164,082
28,540	NextEra Energy Inc.	5.000%	BBB	636,157
	Total Electric Utilities			35,701,571
	Food Products 0.5%			
53,400	Dairy Farmers of America Inc., 144A, (3)	7.875%	Baa3	5,802,246
	Insurance 11.9%			
1,717,889	Aegon N.V.	6.375%	Baa1	43,857,705
490,320	Aflac Inc.	5.500%	BBB+	12,159,936
175,500	Allstate Corporation	6.625%	BBB-	4,622,670
393,000	Allstate Corporation	5.100%	Baa1	9,659,940
147,456	American Financial Group	6.250%	Baa2	3,652,485
301,725	Arch Capital Group Limited	6.750%	BBB	8,068,127
74,981	Aspen Insurance Holdings Limited	7.250%	BBB-	1,984,747
210,600	Aspen Insurance Holdings Limited	5.950%	BBB-	5,448,222
496,950	Axis Capital Holdings Limited	6.875%	BBB	13,243,718
239,923	Axis Capital Holdings Limited	5.500%	BBB	5,566,214
409,482	Delphi Financial Group, Inc., (3)	7.376%	BBB-	10,173,089
17,249	PartnerRe Limited	7.250%	BBB+	472,278
29,905	PartnerRe Limited	5.875%	BBB+	746,130
4,000	Protective Life Corporation	6.250%	BBB	103,800
317,875	Prudential PLC	6.750%	A-	8,217,069
280,000	Reinsurance Group of America Inc.	6.200%	BBB	7,820,400
74,028	RenaissanceRe Holdings Limited	5.375%	BBB+	1,701,904
125,600	Torchmark Corporation	5.875%	BBB+	3,150,048
79,181	W.R. Berkley Corporation	5.625%	BBB-	1,909,054
	Total Insurance			142,557,536
	Machinery 1.1%			
520,581	Stanley Black and Decker, Inc.	5.750%	BBB+	13,155,082
	Media 0.2%			
75,680	Comcast Corporation	5.000%	A-	1,924,542
	Multi-Utilities 0.5%			
109,804	DTE Energy Company	5.250%	Baa1	2,683,610
148,032	Scana Corporation	7.700%	BBB-	3,760,013
	Total Multi-Utilities			6,443,623
	Real Estate Investment Trust 7.3%			
5,000	Alexandria Real Estate Equities Inc., Series B	6.450%	Baa3	127,500
100,000	DDR Corporation	6.250%	Baa3	2,497,000
88,467	Digital Realty Trust Inc.	7.375%	Baa3	2,362,954
17,545	Digital Realty Trust Inc.	7.000%	Baa3	454,240
69,868	Digital Realty Trust Inc.	5.875%	Baa3	1,599,977
162,885	Duke Realty Corporation, Series L	6.600%	Baa3	4,122,619
3,203	Health Care REIT, Inc.	6.500%	Baa3	83,310
321,594	Hospitality Properties Trust	7.125%	Baa3	8,480,434
58,372	Kimco Realty Corporation	6.900%	Baa2	1,538,102
7,961	Kimco Realty Corporation	6.000%	Baa2	202,767
253,032	Kimco Realty Corporation	5.625%	Baa2	6,034,813
133,372	National Retail Properties Inc.	6.625%	Baa2	3,463,671
82,301	Prologis Inc., (3)	8.540%	BBB-	5,213,258
152,633	PS Business Parks, Inc.	6.450%	Baa2	3,963,879
450,182	PS Business Parks, Inc.	6.000%	Baa2	11,277,059

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8,418	PS Business Parks, Inc.	5.750%	Baa2	199,086
15,300	PS Business Parks, Inc.	5.700%	Baa2	360,927
196,229	Public Storage, Inc.	5.900%	A	4,929,272
3,400	Public Storage, Inc.	6.500%	A	89,250
220,000	Public Storage, Inc.	6.375%	A	5,687,000
2,000	Public Storage, Inc.	6.000%	A	50,420
203,125	Public Storage, Inc.	5.750%	A	5,067,969
20,000	Public Storage, Inc.	5.625%	A	486,400
139,683	Public Storage, Inc.	5.200%	A3	3,216,899
95,600	Public Storage, Inc.	5.200%	A	2,196,888
183,646	Realty Income Corporation	6.625%	Baa2	4,952,933
146,600	Regency Centers Corporation	6.625%	Baa3	3,774,950
3,948	Senior Housing Properties Trust	5.625%	BBB-	92,896
116,643	Ventas Realty LP	5.450%	BBB+	2,872,917
55,798	Weingarten Realty Trust	6.500%	Baa3	1,409,457
	Total Real Estate Investment Trust			86,808,847
	U.S. Agency 1.3%			
144	Farm Credit Bank of Texas, 144A, (3)	6.750%	Baa1	15,340,507
	Wireless Telecommunication Services 0.2%			
2,150	Telephone and Data Systems Inc.	7.000%	Baa3	54,825
81,428	Telephone and Data Systems Inc.	6.875%	Baa2	2,051,171
7,000	Telephone and Data Systems Inc.	6.625%	Baa3	175,840
4,300	Telephone and Data Systems Inc.	5.875%	Baa3	99,674
	Total Wireless Telecommunication Services			2,381,510
	Total \$25 Par (or similar) Retail Preferred (cost \$530,691,135)			552,172,813

Principal Amount (000)	Description (1)	Coupon	Maturity	Ratings (2)	Value
	CORPORATE BONDS 8.4% (6.1% of Total Investments)				
	Banks 2.6%				
\$ 1,000	Den Norske Bank	0.500%	2/18/35	Baa3	\$ 658,000
1,000	Den Norske Bank	0.963%	2/24/37	Baa3	667,000
19,000	JPMorgan Chase & Company	6.750%	12/31/49	BBB-	20,018,400
7,600	Nordea Bank AB, 144A	5.500%	9/23/49	BBB	7,676,000
2,000	Societe Generale, Reg S	8.250%	12/31/49	BB+	2,113,200
30,600	Total Banks				31,132,600
	Capital Markets 2.0%				
8,500	Credit Suisse Group AG, 144A	6.500%	8/08/23	BBB+	9,371,250
1,700	Macquarie Bank Limited, Reg S	10.250%	6/20/57	BB+	1,921,000
14,686	State Street Capital Trust IV, (4)	1.235%	6/01/77	A3	12,519,815
24,886	Total Capital Markets				23,812,065
	Construction & Engineering 0.7%				
7,500	Hutchison Whampoa International 12 Limited, 144A	6.000%	11/07/62	BBB	8,032,200
	Electric Utilities 0.2%				
2,900	WPS Resource Corporation, (5)	6.110%	12/01/16	Baa1	2,950,750
	Insurance 1.5%				
2,800	AIG Life Holdings Inc., 144A	7.570%	12/01/45	BBB	3,689,073
1,700	Liberty Mutual Group Inc., 144A	7.697%	10/15/97	BBB+	2,042,421
6,300	Mitsui Sumitomo Insurance Company Limited, 144A	7.000%	3/15/72	A-	7,331,625
5,200	Prudential PLC, Reg S	11.750%	12/23/49	A-	5,271,500
16,000	Total Insurance				18,334,619
	Multi-Utilities 1.0%				
8,900	RWE AG, Reg S	7.000%	10/12/72	BBB-	9,656,500
2,000	Wisconsin Energy Corporation, (5)	6.250%	5/15/67	A3	2,035,000
10,900	Total Multi-Utilities				11,691,500
	Oil, Gas & Consumable Fuels 0.3%				
3,700	DCP Midstream LLC, 144A	5.850%	5/21/43	Baa3	3,653,750
	Wireless Telecommunication Services 0.1%				
1,600	Koninklijke KPN NV, 144A	7.000%	3/28/73	BB	1,667,200
98,086	Total Corporate Bonds (cost \$95,726,450)				101,274,684

Principal

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Amount (000)/ Shares	Description (1)	Coupon	Maturity	Ratings (2)	Value
	\$1,000 PAR (OR SIMILAR) INSTITUTIONAL PREFERRED	79.9% (57.9% of Total Investments)			
	Banks 30.9%				
9,500	Bank of America Corporation	6.500%	N/A (6)	BB	\$ 9,761,250
13,230	Bank of America Corporation	8.125%	N/A (6)	BB	14,354,550
2,394	Bank of America Corporation	8.000%	N/A (6)	BB	2,576,543
3,400	Bank One Capital III	8.750%	9/01/30	Baa2	4,786,710
1,600	Barclays Bank PLC, 144A	6.860%	N/A (6)	BBB-	1,772,000
17,575	Barclays PLC	7.434%	N/A (6)	BB+	16,819,275
10,500	Barclays PLC	8.250%	N/A (6)	BB+	10,841,250
1,200	Chase Capital Trust II, Series B	0.725%	2/01/27	Baa2	1,050,000
20,000	Chase Capital Trust III, Series C	0.777%	3/01/27	Baa2	17,500,000
5,400	Citigroup Capital III	7.625%	12/01/36	BBB-	6,727,115
5,500	Citigroup Inc.	5.950%	N/A (6)	BB+	5,465,625
6,000	Citigroup Inc.	8.400%	N/A (6)	BB+	6,656,628
3,000	Credit Agricole SA, 144A	7.875%	N/A (6)	BB+	3,096,600
1,500	First Empire Capital Trust I	8.234%	2/01/27	Baa2	1,517,519
17,095	First Union Capital Trust II, Series A, (5)	7.950%	11/15/29	Baa1	22,725,512
4,300	Fulton Capital Trust I	6.290%	2/01/36	Baa3	4,192,500
3,200	General Electric Capital Corporation	6.250%	N/A (6)	A+	3,500,128
32,500	General Electric Capital Corporation	7.125%	N/A (6)	A+	37,862,499
2,800	General Electric Capital Corporation	6.375%	11/15/67	A+	2,989,000
10,000	Groupe BCPE	3.300%	N/A (6)	BBB-	8,800,000
10,500	HSBC Bank PLC	0.688%	12/31/49	A3	7,113,750
5,500	HSBC Bank PLC	0.600%	N/A (6)	A3	3,685,000
13,550	HSBC Capital Funding LP, Debt, 144A	10.176%	N/A (6)	BBB+	20,223,375
6,852	HSBC Financial Capital Trust IX, (5)	5.911%	11/30/35	Baa2	7,006,170
7,800	JPMorgan Chase & Company	6.000%	N/A (6)	BBB-	7,731,750
1,400	JPMorgan Chase & Company	5.150%	N/A (6)	BBB-	1,326,500
2,800	JPMorgan Chase Capital XXIII	1.232%	5/15/47	Baa2	2,268,000
6,000	KeyCorp Capital III	7.750%	7/15/29	Baa3	7,327,392
1,802	Lloyd s Banking Group PLC	7.500%	N/A (6)	BB	1,874,080
2,750	Lloyd s Banking Group PLC, 144A	5.920%	N/A (6)	BB	2,750,000
6,350	Lloyd s Banking Group PLC, 144A	6.657%	N/A (6)	Ba2	6,842,125
6,200	M&T Bank Corporation	6.375%	N/A (6)	Baa2	6,147,688
26,000	M&T Bank Corporation	6.875%	N/A (6)	BBB-	26,459,992
6,000	National Australia Bank	8.000%	N/A (6)	Baa1	6,529,500
3,700	Nordea Bank AB, 144A	6.125%	N/A (6)	BBB	3,707,770
20,000	PNC Financial Services Inc.	6.750%	N/A (6)	BBB-	21,830,000
3,400	Royal Bank of Scotland Group PLC	7.648%	N/A (6)	BB-	3,999,250
2,000	Societe Generale, 144A	7.875%	N/A (6)	BB+	2,000,000
800	Societe Generale, 144A	0.981%	N/A (6)	BB+	720,000
14,144	Societe Generale, Reg S	8.750%	N/A (6)	BB+	14,497,600
2,000	Societe Generale, Reg S	7.875%	N/A (6)	BB+	2,000,000
6,450	Standard Chartered PLC, 144A	7.014%	N/A (6)	Baa2	7,207,875
20,000	Wells Fargo & Company	7.980%	N/A (6)	BBB	22,043,740
	Total Banks				368,286,261
	Capital Markets 3.4%				
11,000	Charles Schwab Corporation	7.000%	N/A (6)	BBB	12,821,930
14,600	Credit Suisse Group AG, 144A	7.500%	N/A (6)	BB+	15,516,880
6,300	Credit Suisse Guernsey, Reg S	7.875%	2/24/41	BBB-	6,725,250
750	Goldman Sachs Group Inc.	5.700%	N/A (6)	BB+	766,875
1,200	Macquarie PMI LLC	8.375%	N/A (6)	Ba1	1,254,000
4,000	Morgan Stanley	5.450%	N/A (6)	BB	4,018,752
	Total Capital Markets				41,103,687
	Diversified Financial Services 3.1%				
2,861	Countrywide Capital Trust III, Series B	8.050%	6/15/27	Ba1	3,479,952
2,300	ING US Inc.	5.650%	5/15/53	Ba1	2,300,000
23,730	Rabobank Nederland, 144A	11.000%	N/A (6)	Baa1	30,967,650
	Total Diversified Financial Services				36,747,602
	Electric Utilities 2.5%				
15,800	Electricite de France, 144A	5.250%	N/A (6)	A3	16,392,500
5,000	FPL Group Capital Inc.	6.650%	6/15/67	BBB	5,075,000
7,700	PPL Capital Funding Inc.	6.700%	3/30/67	BB+	7,805,875
	Total Electric Utilities				29,273,375
	Industrial Conglomerates 0.1%				
1,600	General Electric Capital Trust I	6.375%	11/15/67	A+	1,711,499

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Shares	Description (1), (7)	Yield	Maturity	Rating	Value
Insurance 32.4%					
6,200	AG Insurance SA/INV, Reg S	6.750%	N/A (6)	BBB+	6,637,100
6,400	AIG Life Holdings Inc.	8.500%	7/01/30	BBB	8,432,000
2,000	Allstate Corporation	5.750%	8/15/53	Baa1	2,127,500
1,200	Allstate Corporation	6.500%	5/15/57	Baa1	1,328,250
6,805	American International Group, Inc.	8.175%	5/15/58	BBB	9,237,788
11,350	AXA SA	8.600%	12/15/30	A3	15,279,938
9,450	AXA SA, 144A	6.380%	N/A (6)	Baa1	10,188,329
15,359	Catlin Insurance Company Limited, 144A	7.249%	N/A (6)	BBB+	15,742,975
6,500	Dai-ichi Mutual Life, 144A	7.250%	N/A (6)	A3	7,605,000
2,500	Dai-ichi Mutual Life, 144A	5.100%	N/A (6)	A3	2,565,000
1,200	Everest Reinsurance Holdings, Inc.	6.600%	5/15/37	BBB	1,239,000
16,150	Glen Meadows Pass Through Trust, 144A	6.505%	2/12/67	BB+	15,887,563
2,600	Great West Life & Annuity Capital I, 144A	6.625%	11/15/34	A-	2,888,140
6,600	Great West Life & Annuity Insurance Capital LP II, 144A, (5)	7.153%	5/16/46	A-	6,831,000
13,669	Liberty Mutual Group, 144A	7.000%	3/15/37	Baa3	14,215,760
10,481	Liberty Mutual Group, 144A	7.800%	3/15/37	Baa3	12,262,770
2,500	Lincoln National Corporation	6.050%	4/20/67	BBB	2,543,750
16,600	MetLife Capital Trust IV, 144A	7.875%	12/15/37	BBB	21,206,500
31,100	MetLife Capital Trust X, 144A	9.250%	4/08/38	BBB	44,472,999
23,754	National Financial Services Inc., (5)	6.750%	5/15/37	Baa2	24,704,160
8,200	Nippon Life Insurance Company, 144A	5.100%	10/16/44	A2	8,548,500
4,200	Oil Insurance Limited, 144A	3.220%	N/A (6)	Baa1	3,888,860
3,750	Provident Financing Trust I	7.405%	3/15/38	Baa3	4,380,536
30,400	Prudential Financial Inc.	5.625%	6/15/43	BBB+	31,540,000
6,400	Prudential Financial Inc.	5.875%	9/15/42	BBB+	6,784,000
1,135	Prudential Financial Inc.	8.875%	6/15/38	BBB+	1,357,744
14,250	Prudential PLC, Reg S	6.500%	N/A (6)	A-	14,356,875
29,870	QBE Capital Funding Trust II, 144A	7.250%	5/24/41	BBB	32,408,950
20,500	Sompo Japan Insurance, 144A	5.325%	3/28/73	A-	21,576,250
5,000	Sumitomo Life Insurance Company, 144A	4.000%	9/20/73	BBB+	5,587,500
8,080	White Mountains Insurance Group, 144A	7.506%	N/A (6)	BB+	8,483,766
21,257	ZFS Finance USA Trust V, 144A, (5)	6.500%	5/09/37	A	22,851,275
	Total Insurance				387,159,778
Machinery 0.3%					
3,450	Stanley Black & Decker, Inc.	5.750%	12/15/53	BBB+	3,717,375
Multi-Utilities 0.6%					
6,400	Dominion Resources Inc.	7.500%	6/30/66	BBB	6,782,061
Real Estate Investment Trust 0.2%					
2,772	Sovereign Capital Trusts	7.908%	6/13/36	Ba1	2,946,001
Road & Rail 1.1%					
11,400	Burlington Northern Santa Fe Funding Trust I	6.613%	12/15/55	BBB	12,728,203
Specialty Retail 1.3%					
13,400	Swiss Re Capital I, 144A	6.854%	N/A (6)	A	14,070,000
1,400	Swiss Re Capital I, Reg S	6.854%	N/A (6)	A	1,470,000
	Total Specialty Retail				15,540,000
Thriffs & Mortgage Finance 0.0%					
500	Onbank Capital Trust I	9.250%	2/01/27	Baa2	505,801
U.S. Agency 0.2%					
2	Farm Credit Bank of Texas	10.000%	N/A (6)	Baa1	2,197,781
Wireless Telecommunication Services 3.8%					
36	Centaur Funding Corporation, Series B, 144A	9.080%	4/21/20	BBB-	45,466,136
	Total \$1,000 Par (or similar) Institutional Preferred (cost \$868,591,587)				954,165,560
Shares Description (1), (7) Value					
INVESTMENT COMPANIES - 1.4% (1.0% of Total Investments)					
672,285	Blackrock Credit Allocation Income Trust IV			\$	9,102,739
395,914	John Hancock Preferred Income Fund III				7,027,474
	Total Investment Companies (cost \$23,067,281)				16,130,213
	Total Long-Term Investments (cost \$1,523,080,578)				1,628,920,470

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Principal Amount (000)	Description (1)	Coupon	Maturity	Value
SHORT-TERM INVESTMENTS - 1.7% (1.2% of Total Investments)				
\$ 20,185	Repurchase Agreement with Fixed Income Clearing Corporation, dated 10/31/14, repurchase price \$20,185,218, collateralized by \$20,645,000 U.S. Treasury Notes, 2.000%, due 10/31/21, value \$20,591,462	0.000%	11/03/14	\$ 20,185,218
	Total Short-Term Investments (cost \$20,185,218)			20,185,218
	Total Investments (cost \$1,543,265,796) - 138.2%			1,649,105,688
	Borrowings - (38.9)% (8), (9)			(464,000,000)
	Other Assets Less Liabilities - 0.7% (10)			8,104,206
	Net Assets Applicable to Common Shares - 100%			\$1,193,209,894

Investments in Derivatives as of October 31, 2014

Interest Rate Swaps outstanding:

Counterparty	Notional Amount	Fund Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate (Annualized)	Fixed Rate Payment Frequency	Effective Date (11)	Termination Date	Unrealized Appreciation (Depreciation) (10)
JPMorgan	\$ 134,344,000	Receive	1-Month USD-LIBOR-BBA	1.255 %	Monthly	12/01/14	12/01/18	\$ 908,319
JPMorgan	134,344,000	Receive	1-Month USD-LIBOR-BBA	1.673	Monthly	12/01/14	12/01/20	1,673,054
Morgan Stanley	77,200,000	Receive	1-Month USD-LIBOR-BBA	2.064	Monthly	3/21/11	3/21/16	(1,857,981)
	\$ 345,888,000							\$ 723,392

Fair Value Measurements

Fair value is defined as the price that would be received upon selling an investment or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. A three-tier hierarchy is used to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The following is a summary of the three-tiered hierarchy of valuation input levels.

Level 1 - Inputs are unadjusted and prices are determined using quoted prices in active markets for identical securities.

Level 2 - Prices are determined using other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

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Level 3 - Prices are determined using significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodologies used for valuing securities are not an indication of the risks associated with investing in those securities. The following is a summary of the Fund's fair value measurements as of the end of the reporting period:

	Level 1	Level 2	Level 3	Total
Long-Term Investments:				
Convertible Preferred Securities	\$ 5,177,200	\$	\$	\$ 5,177,200
\$25 Par (or similar) Retail Preferred	498,870,473	53,302,340		552,172,813
Corporate Bonds		101,274,684		101,274,684
\$1,000 Par (or similar) Institutional Preferred		954,165,560		954,165,560
Investment Companies	16,130,213			16,130,213
Short-Term Investments:				
Repurchase Agreements		20,185,218		20,185,218
Investments in Derivatives:				
Interest Rate Swaps*		723,392		723,392
Total	\$ 520,177,886	\$ 1,129,651,194	\$	\$ 1,649,829,080

* Represents net unrealized appreciation (depreciation).

Income Tax Information

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to recognition of premium amortization, timing differences in the recognition of income and timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset value of the Fund.

As of October 31, 2014, the cost of investments (excluding investments in derivatives) was \$1,557,904,320.

Gross unrealized appreciation and gross unrealized depreciation of investments (excluding investments in derivatives) as of October 31, 2014, were as follows:

Gross unrealized:	
Appreciation	\$ 120,477,990
Depreciation	(29,276,622)
Net unrealized appreciation (depreciation) of investments	\$ 91,201,368

For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications into sectors for reporting ease.

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to common shares unless otherwise noted.
- (2) Ratings: Using the highest of Standard & Poor's Group (Standard & Poor's), Moody's Investors Service, Inc. (Moody's) or Fitch, Inc. (Fitch) rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.
- (3) For fair value measurement disclosure purposes, \$25 Par (or similar) Retail Preferred classified as Level 2.
- (4) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in derivatives.
- (5) Investment, or portion of investment, is out on loan. The total value of investments out on loan as of the end of the reporting period was \$75,201,600.
- (6) Perpetual security. Maturity date is not applicable.

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- (7) A copy of the most recent financial statements for the investment companies in which the Fund invests can be obtained directly from the Securities and Exchange Commission on its website at <http://www.sec.gov>.
- (8) Borrowings as a percentage of Total Investments is 28.1%.
- (9) The Fund may pledge up to 100% of its eligible investments (excluding any investments separately pledged as collateral for specific investments in derivatives) in the Portfolio of Investments as collateral for Borrowings. As of the end of the reporting period, investments with a value of \$944,956,630 have been pledged as collateral for Borrowings.
- (10) Other Assets Less Liabilities includes the Value and the Unrealized Appreciation (Depreciation) of derivative instruments as listed within Investments in Derivatives as of the end of the reporting period.
- (11) Effective date represents the date on which both the Fund and Counterparty commence interest payment accruals on each contract.

N/A Not applicable.

144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.

REIT Real Estate Investment Trust.

Reg S Regulation S allows U.S. companies to sell securities to persons or entities located outside of the United States without registering those securities with the Securities and Exchange Commission. Specifically, Regulation S provides a safe harbor from the registration requirements of the Securities Act for the offers and sales of securities by both foreign and domestic issuers that are made outside the United States.

USD-LIBOR-BBA United States Dollar London Inter-Bank Offered Rate British Bankers Association.

Item 2. Controls and Procedures.

a. The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).

b. There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)), exactly as set forth below: EX-99 CERT Attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Quality Preferred Income Fund 2

By (Signature and Title) /s/ Kevin J. McCarthy
Kevin J. McCarthy
Vice President and Secretary

Date: December 30, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Gifford R. Zimmerman
Gifford R. Zimmerman
Chief Administrative Officer (principal executive officer)

Date: December 30, 2014

By (Signature and Title) /s/ Stephen D. Foy
Stephen D. Foy
Vice President and Controller (principal financial officer)

Date: December 30, 2014

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(\$ in millions, except per share data in \$)

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Sales of products	27,816	29,477	7,339	7,599
Sales of services and software	6,012	6,004	1,654	1,643
Total revenues	33,828	35,481	8,993	9,242
Cost of sales of products				(20,431)

	(21,694)
	(5,451)
	(5,820)
Cost of services and software	
	(3,650)
	(3,653)
	(1,027)
	(1,027)
Total cost of sales	
	(24,081)
	(25,347)
	(6,478)
	(6,847)
Gross profit	
	9,747
	10,134
	2,515
	2,395
Selling, general and administrative expenses	
	(5,349)
	(5,574)
	(1,394)

	(1,580)
Non-order related research and development expenses	
	(1,300)
	(1,406)
	(349)
	(408)
Other income (expense), net	
	(38)
	(105)
	(21)
	(60)
Income from operations	
	3,060
	3,049
	751
	347
Interest and dividend income	
	73
	77
	19
	21
	16

Interest and other finance expense

(261)

(286)

(31)

(63)

Income from continuing operations before taxes

2,872

2,840

739

305

Provision for taxes

(790)

(788)

(203)

(66)

Income from continuing operations, net of tax

2,082

2,052

536

239

Income from discontinued operations, net of tax

16

17

3
2
1

Net income

2,098

2,055

538

240

Net income attributable to noncontrolling interests

(135)

(122)

(49)

(36)

Net income attributable to ABB

1,963

1,933

489

204

Amounts attributable to ABB shareholders:

Income from continuing operations, net of tax

1,947

1,930

487

203

Net income

1,963

1,933

489

204

Basic earnings per share attributable to ABB shareholders:

Income from continuing operations, net of tax

0.91

0.87

0.23

0.09

Net income

0.91

0.87

0.23

0.09

Diluted earnings per share attributable to ABB shareholders:

Income from continuing operations, net of tax

0.90

0.87

0.23

0.09

Net income

0.91

0.87

0.23

0.09

Weighted-average number of shares outstanding (in millions) used to compute:

Basic earnings per share attributable to ABB shareholders	2,151
	2,226
	2,137
	2,203
Diluted earnings per share attributable to ABB shareholders	2,154
	2,230
	2,141
	2,206

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Condensed Consolidated Statements of Comprehensive
Income (unaudited)

(\$ in millions)

Dec. 31

Total comprehensive income (loss), net of tax

Total comprehensive income attributable to noncontrolling interests, net of tax

Total comprehensive income (loss) attributable to ABB shareholders, net of tax

See Notes to the Interim Consolidated Financial Information

9 Q4 2016 Financial Information

—
ABB Ltd Interim Consolidated Balance Sheets (unaudited)

(\$ in millions, except share data)

Cash and equivalents
Marketable securities and short-term investments
Receivables, net
Inventories, net
Prepaid expenses
Deferred taxes
Other current assets
Assets held for sale
Total current assets

Property, plant and equipment, net
Goodwill
Other intangible assets, net
Prepaid pension and other employee benefits
Investments in equity-accounted companies
Deferred taxes
Other non-current assets
Total assets

Accounts payable, trade
Billings in excess of sales
Short-term debt and current maturities of long-term debt
Advances from customers
Deferred taxes
Provisions for warranties
Other provisions
Other current liabilities
Liabilities held for sale
Total current liabilities

Long-term debt
Pension and other employee benefits
Deferred taxes
Other non-current liabilities
Total liabilities

Commitments and contingencies

Stockholders' equity:

Capital stock and additional paid-in capital
(2,214,743,264 and 2,314,743,264 issued shares at December 31, 2016 and 2015, respectively)
Retained earnings
Accumulated other comprehensive loss
Treasury stock, at cost

(76,036,429 and 123,118,123 shares at December 31, 2016 and 2015, respectively)

Total ABB stockholders' equity

Noncontrolling interests

Total stockholders' equity

Total liabilities and stockholders' equity

See Notes to the Interim Consolidated Financial Information

10 Q4 2016 Financial Information

—
ABB Ltd Interim Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)

Dec.

Operating activities:

Net income

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

Deferred taxes

Net loss (gain) from derivatives and foreign exchange

Net loss (gain) from sale of property, plant and equipment

Net loss (gain) from sale of businesses

Share-based payment arrangements

Other

Changes in operating assets and liabilities:

Trade receivables, net

Inventories, net

Trade payables

Accrued liabilities

Billings in excess of sales

Provisions, net

Advances from customers

Income taxes payable and receivable

Other assets and liabilities, net

Net cash provided by operating activities

Investing activities:

Purchases of marketable securities (available-for-sale)

Purchases of short-term investments

Purchases of property, plant and equipment and intangible assets

Acquisition of businesses (net of cash acquired)

and increases in cost- and equity-accounted companies

Proceeds from sales of marketable securities (available-for-sale)

Proceeds from maturity of marketable securities (available-for-sale)

Proceeds from short-term investments

Proceeds from sales of property, plant and equipment

Proceeds from sales of businesses (net of transaction costs
and cash disposed) and cost- and equity-accounted companies

Net cash from settlement of foreign currency derivatives

Other investing activities

Net cash used in investing activities

Financing activities:

Net changes in debt with original maturities of 90 days or less

Increase in debt

Repayment of debt

Delivery of shares

Purchase of treasury stock

Dividends paid

Reduction in nominal value of common shares paid to shareholders

Dividends paid to noncontrolling shareholders

Other financing activities

Net cash used in financing activities

Effects of exchange rate changes on cash and equivalents

Net change in cash and equivalents – continuing operations

Cash and equivalents, beginning of period

Cash and equivalents, end of period

Supplementary disclosure of cash flow information:

Interest paid

Taxes paid

See Notes to the Interim Consolidated Financial Information

11 Q4 2016 Financial Information

—
 ABB Ltd Interim Consolidated Statements of Changes in Stockholders' Equity (unaudited)

(\$ in millions)	Capital stock and additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Accumulated other comp Unrealized gains (losses) on available-for-sale securities	Pension and other post- retirement plan adjustment
Balance at January 1, 2015	1,777	19,939	(2,102)	13	(2,133)
Comprehensive income:					
Net income		1,933			
Foreign currency translation adjustments, net of tax of \$(47)			(1,033)		
Effect of change in fair value of available-for-sale securities, net of tax of \$(1)				(6)	
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$140					41
Change in derivatives qualifying as cash flow hedges, net of tax of \$3					
Total comprehensive income					
Changes in noncontrolling interests	(30)	(25)			
Dividends paid to noncontrolling shareholders					
Dividends paid		(1,317)			
Reduction in nominal value of common shares paid to shareholders	(349)	(54)			
Share-based payment arrangements	61				
Purchase of treasury stock					
Delivery of shares	(19)				
Call options	4				
Balance at December 31, 2015	1,444	20,476	(3,135)	7	(1,719)
Balance at January 1, 2016	1,444	20,476	(3,135)	7	(1,719)
Comprehensive income:					
Net income		1,963			
Foreign currency translation adjustments, net of tax of \$12			(457)		
Effect of change in fair value of available-for-sale securities, net of tax of \$0					—

Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$24					11
Change in derivatives qualifying as cash flow hedges, net of tax of \$4					
Total comprehensive income					
Changes in noncontrolling interests					
Dividends paid to noncontrolling shareholders					
Reduction in nominal value of common shares paid to shareholders	(1,224)	(402)			
Cancellation of treasury shares	(40)	(2,007)			
Share-based payment arrangements	54				
Purchase of treasury stock					
Delivery of shares	(22)	(41)			
Call options	4				
Balance at December 31, 2016	216	19,989	(3,592)	7	(1,600)

See Notes to the Interim Consolidated Financial Information

12 Q4 2016 Financial Information

Notes to the Interim Consolidated Financial Information (unaudited)

<p>Note 1</p> <p>The Company and basis of presentation</p>	<p>ABB Ltd and its subsidiaries (collectively, the Company) together form a pioneering technology leader in electrification products, robotics and motion, industrial automation and power grids serving customers in utilities, industry and transport & infrastructure globally.</p> <p>The Company's Interim Consolidated Financial Information is prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP) for interim financial reporting. As such, the Interim Consolidated Financial Information does not include all the information and notes required under U.S. GAAP for annual consolidated financial statements. Therefore, such financial information should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2015.</p> <p>The preparation of financial information in conformity with U.S. GAAP requires management to make assumptions and estimates that directly affect the amounts reported in the Interim Consolidated Financial Information. The most significant, difficult and subjective of such accounting assumptions and estimates include:</p> <ul style="list-style-type: none"> • estimates used to record expected costs for employee severance in connection with restructuring programs, • estimates used to record warranty obligations, • assumptions and projections, principally related to future material, labor and project related overhead costs, used in determining the percentage of completion on projects,
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- estimates of loss contingencies associated with litigation or threatened litigation and other claims and inquiries, environmental damages, product warranties, self-insurance reserves, regulatory and other proceedings,
- assumptions used in the calculation of pension and postretirement benefits and the fair value of pension plan assets,
- estimates to determine valuation allowances for deferred tax assets and amounts recorded for uncertain tax positions,
- growth rates, discount rates and other assumptions used to determine impairment of long lived assets and in testing goodwill for impairment,
- assumptions used in determining inventory obsolescence and net realizable value,
- estimates and assumptions used in determining the fair values of assets and liabilities assumed in business combinations, and
- assessment of the allowance for doubtful accounts.

The actual results and outcomes may differ from the Company's estimates and assumptions.

A portion of the Company's activities (primarily long-term construction activities) has an operating cycle that exceeds one year. For classification of current assets and liabilities related to such activities, the Company elected to use the duration of the individual contracts as its operating cycle. Accordingly, there are accounts receivable, inventories and provisions related to these contracts which will not be realized within one year that have been classified as current.

In September 2016, the Company announced an agreement to divest its high-voltage cable system business (Cables business). The assets and liabilities of this business are shown as assets and liabilities held for sale in the Company's Interim Consolidated Balance Sheet at December 31, 2016.

	<p>In the opinion of management, the unaudited Interim Consolidated Financial Information contains all necessary adjustments to present fairly the financial position, results of operations and cash flows for the reported interim periods. Management considers all such adjustments to be of a normal recurring nature.</p> <p>The Interim Consolidated Financial Information is presented in United States dollars (\$) unless otherwise stated. Certain amounts reported in the Interim Consolidated Financial Information for prior periods have been reclassified to conform to the current year's presentation. These changes primarily relate to the change in the definition of segment profit and the reorganization of the Company's operating segments (see Note 13).</p>
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<p>Note 2</p> <p>Recent accounting pronouncements</p>	
<p>Applicable for current periods</p>	<p>Disclosures for investments in certain entities that calculate net asset value per share (or its equivalent)</p> <p>As of January 1, 2016, the Company adopted an accounting standard update regarding fair value disclosures for certain investments. Under the update, the Company is no longer required to categorize within the fair value hierarchy any investments for which fair value is measured using the net asset value per share practical expedient. The amendments also removed the requirement to make certain disclosures for 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 Company has elected to measure the fair value using that practical expedient. This update was applied retrospectively and did not have a significant impact on the consolidated financial statements.</p>

	<p>Simplifying the measurement of inventory</p> <p>As of January 1, 2016, the Company early-adopted an accounting standard update simplifying the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory methods. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The update was applied prospectively and did not have a significant impact on the consolidated financial statements.</p>
<p>Applicable for future periods</p>	<p>Revenue from contracts with customers</p> <p>In May 2014, an accounting standard update was issued to clarify the principles for recognizing revenues from contracts with customers. The update, which supersedes substantially all existing revenue recognition guidance, provides a single comprehensive model for recognizing revenues on the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Under the standard it is possible that more judgments and estimates would be required than under existing standards, including identifying the separate performance obligations in a contract, estimating any variable consideration elements, and allocating the transaction price to each separate performance obligation. The update also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Further updates were issued in 2016 to clarify the guidance on identifying performance obligations, licensing and contract costs, to enhance the implementation guidance on principal versus agent considerations and to add other practical expedients.</p> <p>In August 2015, the effective date for the update was deferred and the update is now effective for the Company for annual and interim periods beginning January 1, 2018, and is to be applied either (i) retrospectively to each prior reporting period presented, with the option to elect certain defined practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the update recognized at the date of adoption in retained earnings (with additional disclosure as to the impact on individual financial statement lines affected). Early adoption of the standard is</p>

permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

The Company currently plans to adopt these updates as of January 1, 2018, pursuant to the aforementioned adoption method (ii) and currently does not anticipate these updates will have a significant impact on its consolidated financial statements. The Company's analysis of contracts performed in 2016 resulted in immaterial differences in the identification of performance obligations compared to the current unit of accounting determination. Except for a limited number of contracts where the required criteria are not met, the analysis supports the recognition of revenue over time following the cost-to-cost method under the new revenue recognition standard for those contracts which are following the cost-to-cost method under the current revenue recognition model. The Company continues to evaluate the expected impacts of the adoption of these updates and the expected impacts are subject to change.

Balance sheet classification of deferred taxes

In November 2015, an accounting standard update was issued which removes the requirement to separate deferred tax liabilities and assets into current and noncurrent amounts and instead requires all such amounts, as well as any related valuation allowance, to be classified as noncurrent in the balance sheet. This update is effective for the Company for annual and interim periods beginning January 1, 2017, with early adoption permitted, and is applicable either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company will adopt this update as of January 1, 2017, on a retrospective basis and expects the balance of deferred tax assets and liabilities to decrease by approximately \$300 million due to additional netting impacts.

Recognition and measurement of financial assets and financial liabilities

In January 2016, an accounting standard update was issued to enhance the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. For example, the Company would be required to measure equity investments (except those accounted for under the equity method) at fair value

with changes in fair value recognized in net income and to present separately financial assets and financial liabilities by measurement category and form of financial asset. This update is effective for the Company for annual and interim periods beginning January 1, 2018, with early adoption permitted for certain provisions. The Company is currently evaluating the impact of this update on its consolidated financial statements.

Leases

In February 2016, an accounting standard update was issued that requires lessees to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than 12 months. The update, which supersedes existing lease guidance, will continue to classify leases as either finance or operating, with the classification determining the pattern of expense recognition in the income statement. This update is effective for the Company for annual and interim periods beginning January 1, 2019, with early adoption permitted, and is applicable on a modified retrospective basis with various optional practical expedients. The Company is currently evaluating the impact of this update on its consolidated financial statements.

Simplifying the transition to the equity method of accounting

In March 2016, an accounting standard update was issued which eliminates the retroactive adjustments to an investment upon it qualifying for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence by the investor. It requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment qualifies for equity method accounting. This update is effective for the Company for annual and interim periods beginning January 1, 2017, with early adoption permitted, and is applicable prospectively. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Improvements to employee share-based payment accounting

In March 2016, an accounting standard update was issued which changes the accounting for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as the classification in the statement of cash flows. This update is effective for the Company for annual and interim periods beginning January 1, 2017, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Measurement of credit losses on financial instruments

In June 2016, an accounting standard update was issued which replaces the existing incurred loss impairment methodology for most financial assets with a new “current expected credit loss” model. The new model will result in the immediate recognition of the estimated credit losses expected to occur over the remaining life of financial assets such as trade and other receivables, held-to-maturity debt securities, loans and other instruments. Credit losses relating to available-for-sale debt securities will be measured in a manner similar to current GAAP, except that the losses will be recorded through an allowance for credit losses rather than as a direct write-down of the security.

This update is effective for the Company for annual and interim periods beginning January 1, 2020, with early adoption permitted for annual and interim periods beginning January 1, 2019. The Company is currently evaluating the impact of this update on its consolidated financial statements.

Classification of certain cash receipts and cash payments in the statement of cash flows

In August 2016, an accounting standard update was issued which clarifies how certain cash receipts and cash payments, including debt prepayment or extinguishment costs, the settlement of zero

coupon debt instruments, contingent consideration paid after a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization, should be presented and classified in the statement of cash flows. This update is effective for the Company for annual and interim periods beginning January 1, 2018 on a retrospective basis, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Income taxes – Intra-entity transfers of assets other than inventory

In October 2016, an accounting standard update was issued that requires the Company to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs instead of when the asset has been sold to an outside party. This update is effective for the Company for annual and interim periods beginning January 1, 2018, with early adoption permitted, and is applicable on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of this update on its consolidated financial statements.

Statement of cash flows - Restricted cash

In November 2016, an accounting standard update was issued which clarifies the classification and presentation of changes in restricted cash on the statement of cash flows. It requires the inclusion of cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. This update is effective for the Company for annual and interim periods beginning January 1, 2018 on a retrospective basis, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Clarifying the definition of a business

In January 2017, an accounting standard update was issued which narrows the definition of a business. It also provides a framework for determining whether a set of transferred assets and activities involves a business. This update is effective for the Company for

annual and interim periods beginning January 1, 2018 on a prospective basis, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Simplifying the Test for Goodwill Impairment

In January 2017, an accounting standard update was issued which eliminates the requirement to calculate the implied fair value of goodwill when measuring a goodwill impairment loss. Instead, the Company is required to record an impairment loss based on the excess of a reporting unit's carrying amount over its fair value provided that the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit. This update is effective for the Company for annual and interim periods beginning January 1, 2020 on a prospective basis, with early adoption permitted. The Company plans to early adopt this update in the first quarter of 2017 and apply it prospectively. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Note 3	
Cash and equivalents, marketable securities and short-term investments	
Current assets	Cash and equivalents, marketable securities and short-term investments consisted of the following:

	December 31, 2016					Market
	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	a
(\$ in millions)						
Cash	1,779			1,779	1,779	
Time deposits	2,764			2,764	1,940	
Other short-term investments	271			271		-
Debt securities available-for-sale:						
U.S. government obligations	221	1	(2)	220		-
Other government obligations	2	-	-	2		-
Corporate	95	1	(1)	95		-
Equity securities available-for-sale	530	11	-	541		-
Total	5,662	13	(3)	5,672	3,719	

	December 31, 2015					Market
	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	a
(\$ in millions)						
Cash	1,837			1,837	1,837	
Time deposits	2,821			2,821	2,717	
Other short-term investments	231			231		-
Debt securities available-for-sale:						
U.S. government obligations	120	2	(1)	121		-
Other government obligations	2	-	-	2		-
Corporate	519	1	(1)	519	11	
Equity securities available-for-sale	658	9	-	667		-
Total	6,188	12	(2)	6,198	4,565	

	Included in Other short-term investments at December 31, 2016 and 2015, are receivables of \$268 million and \$224 million, respectively, representing reverse repurchase agreements. These collateralized lendings, made to a financial institution, have maturity dates of less than one year.
Non-current assets	Included in "Other non-current assets" are certain held-to-maturity marketable securities. At December 31, 2016, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were \$80 million, \$6 million and \$86 million, respectively. At December 31, 2015, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were \$99 million, \$11 million and \$110 million, respectively. These securities are pledged as security for certain outstanding deposit liabilities and the funds received at the respective maturity dates of the securities will only be available to the Company for repayment of these obligations.

Note 4 Derivative financial instruments	The Company is exposed to certain currency, commodity, interest rate and equity risks arising from its global operating, financing and investing activities. The Company uses derivative instruments to reduce and manage the economic impact of these exposures.
Currency risk	Due to the global nature of the Company's operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company's policies require the subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies. For forecasted foreign currency denominated sales of standard products and the related foreign currency denominated purchases, the Company's policy is to hedge up to a maximum of 100 percent of the forecasted foreign currency denominated exposures, depending on the length of the forecasted exposures. Forecasted exposures greater than 12 months are not hedged. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in

	foreign currencies. In addition, within its treasury operations, the Company primarily uses foreign exchange swaps and forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities.
Commodity risk	Various commodity products are used in the Company's manufacturing activities. Consequently it is exposed to volatility in future cash flows arising from changes in commodity prices. To manage the price risk of commodities, the Company's policies require that the subsidiaries hedge the commodity price risk exposures from binding contracts, as well as at least 50 percent (up to a maximum of 100 percent) of the forecasted commodity exposure over the next 12 months or longer (up to a maximum of 18 months). Primarily swap contracts are used to manage the associated price risks of commodities.
Interest rate risk	The Company has issued bonds at fixed rates. Interest rate swaps are used to manage the interest rate risk associated with certain debt and generally such swaps are designated as fair value hedges. In addition, from time to time, the Company uses instruments such as interest rate swaps, interest rate futures, bond futures or forward rate agreements to manage interest rate risk arising from the Company's balance sheet structure but does not designate such instruments as hedges.
Equity risk	The Company is exposed to fluctuations in the fair value of its warrant appreciation rights (WARs) issued under its management incentive plan. A WAR gives its holder the right to receive cash equal to the market price of an equivalent listed warrant on the date of exercise. To eliminate such risk, the Company has purchased cash-settled call options, indexed to the shares of the Company, which entitle the Company to receive amounts equivalent to its obligations under the outstanding WARs.
Volume of derivative activity	In general, while the Company's primary objective in its use of derivatives is to minimize exposures arising from its business, certain derivatives are designated and qualify for hedge accounting treatment while others either are not designated or do not qualify for hedge accounting.

	<p>Foreign exchange and interest rate derivatives</p> <p>The gross notional amounts of outstanding foreign exchange and interest rate derivatives (whether designated as hedges or not) were as follows:</p>
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Type of derivative (\$ in millions)	Total notional amounts at	
	December 31, 2016	December 31, 2015
Foreign exchange contracts	15,353	16,467
Embedded foreign exchange derivatives	2,162	2,966
Interest rate contracts	3,021	4,302

	<p>Derivative commodity contracts</p> <p>The following table shows the notional amounts of outstanding commodity derivatives (whether designated as hedges or not), on a net basis, to reflect the Company's requirements in the various commodities:</p>
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Type of derivative	Unit	Total notional amounts at	
		December 31, 2016	December 31, 2015
Copper swaps	metric tonnes	47,425	48,903
Aluminum swaps	metric tonnes	4,650	5,455
Nickel swaps	metric tonnes	—	18
Lead swaps	metric tonnes	15,100	14,625
Zinc swaps	metric tonnes	150	225
Silver swaps	ounces	1,586,395	1,727,255
Crude oil swaps	barrels	121,000	133,500

	<p>Equity derivatives</p> <p>At December 31, 2016 and 2015, the Company held 47 million and 55 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$23 million and \$13 million, respectively.</p>
Cash flow hedges	

As noted above, the Company mainly uses forward foreign exchange contracts to manage the foreign exchange risk of its operations, commodity swaps to manage its commodity risks and cash-settled call options to hedge its WAR liabilities. Where such instruments are designated and qualify as cash flow hedges, the effective portion of the changes in their fair value is recorded in "Accumulated other comprehensive loss" and subsequently reclassified into earnings in the same line item and in the same period as the underlying hedged transaction affects earnings. Any ineffectiveness in the hedge relationship, or hedge component excluded from the assessment of effectiveness, is recognized in earnings during the current period.

At December 31, 2016 and 2015, "Accumulated other comprehensive loss" included net unrealized losses of \$1 million and \$11 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at December 31, 2016, net gains of \$2 million are expected to be reclassified to earnings in the following 12 months. At December 31, 2016, the longest maturity of a derivative classified as a cash flow hedge was 39 months.

The amount of gains or losses, net of tax, reclassified into earnings due to the discontinuance of cash flow hedge accounting and the amount of ineffectiveness in cash flow hedge relationships directly recognized in earnings were not significant in the year and three months ended December 31, 2016 and 2015.

	The pre-tax effects of derivative instruments, designated and qualifying as cash flow hedges, on “Accumulated other comprehensive loss” (OCI) and the Consolidated Income Statements were as follows:
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(\$ in millions)	Gains (losses) recognized in OCI on derivatives (effective portion)		Gains (losses) reclassified from OCI into income (effective portion)	
	2016	2015	2016	2015
Year ended December 31,				
Type of derivative			Location	
Foreign exchange contracts	2	(11)	Total revenues	(11)
			Total cost of sales	10
Commodity contracts	4	(9)	Total cost of sales	(2)
Cash-settled call options	15	(6)	SG&A expenses ⁽¹⁾	10
Total	21	(26)		(39)

(\$ in millions)	Gains (losses) recognized in OCI on derivatives (effective portion)		Gains (losses) reclassified from OCI into income (effective portion)	
	2016	2015	2016	2015
Three months ended December 31,				
Type of derivative			Location	
Foreign exchange contracts	(6)	(4)	Total revenues	(2)
			Total cost of sales	1
Commodity contracts	3	(3)	Total cost of sales	–
Cash-settled call options	(3)	4	SG&A expenses ⁽¹⁾	(2)
Total	(6)	(3)		(3)

(1) SG&A expenses represent “Selling, general and administrative expenses”.

	The amounts in respect of gains (losses) recognized in income for hedge ineffectiveness and amounts excluded from effectiveness testing were not significant for the year and three months ended December 31, 2016 and 2015.
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	Net derivative gains of \$6 million and net derivative losses of \$30 million, both net of tax, were reclassified from "Accumulated other comprehensive loss" to earnings during the year ended December 31, 2016 and 2015, respectively. During the three months ended December 31, 2016 and 2015, net derivative losses of \$3 million and \$2 million, both net of tax, respectively, were reclassified from "Accumulated other comprehensive loss" to earnings.
Fair value hedges	To reduce its interest rate exposure arising primarily from its debt issuance activities, the Company uses interest rate swaps. Where such instruments are designated as fair value hedges, the changes in the fair value of these instruments, as well as the changes in the fair value of the risk component of the underlying debt being hedged, are recorded as offsetting gains and losses in "Interest and other finance expense". Hedge ineffectiveness of instruments designated as fair value hedges for the year and three months ended December 31, 2016 and 2015, was not significant.
	The effect of interest rate contracts, designated and qualifying as fair value hedges, on the Consolidated Income Statements was as follows:

	Year ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
(\$ in millions)				
Gains (losses) recognized in Interest and other finance expense:				
- on derivatives designated as fair value hedges	(28)	8	(60)	(22)
- on hedged item	30	(4)	60	23

Derivatives not designated in hedge relationships	Derivative instruments that are not designated as hedges or do not qualify as either cash flow or fair value hedges are economic hedges used for risk management purposes. Gains and losses from changes in the fair values of such derivatives are recognized in the same line in the income statement as the economically hedged transaction.
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Furthermore, under certain circumstances, the Company is required to split and account separately for foreign currency derivatives that are embedded within certain binding sales or purchase contracts denominated in a currency other than the functional currency of the subsidiary and the counterparty.

	The gains (losses) recognized in the Consolidated Income Statements on derivatives not designated in hedging relationships were as follows:
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Type of derivative not designated as a hedge	Location	Gains (losses) recognized in income			
		Year ended December 31,		Three months ended December 31,	
		2016	2015	2016	2015
(\$ in millions)					
Foreign exchange contracts	Total revenues	(206)	(216)	(187)	10
	Total cost of sales	(56)	16	13	(40)
	SG&A expenses ⁽¹⁾	8	13	13	4
	Non-order related research and development	(2)	(1)	(1)	–
	Other income (expense), net	22	–	22	–
Embedded foreign exchange contracts	Interest and other finance expense	(34)	287	11	39
	Total revenues	(5)	127	36	(11)
	Total cost of sales	(5)	(25)	(12)	(1)
Commodity contracts	SG&A expenses ⁽¹⁾	(2)	(5)	(3)	(3)
	Total cost of sales	42	(61)	27	(14)
Other	Interest and other finance expense	4	(1)	2	1
Total		(234)	134	(79)	(15)

(1) SG&A expenses represent “Selling, general and administrative expenses”.

	The fair values of derivatives included in the Consolidated Balance Sheets were as follows:
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(\$ in millions)	December 31,		
	Derivative assets Current in “Other current assets”	Non-current in “Other non-current assets”	Other
Derivatives designated as hedging instruments:			
Foreign exchange contracts	5	–	–

Commodity contracts	2	–
Interest rate contracts	2	62
Cash-settled call options	13	9
Total	22	71
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	169	29
Commodity contracts	29	2
Cross-currency interest rate swaps	–	2
Cash-settled call options	–	1
Embedded foreign exchange derivatives	58	21
Total	256	55
Total fair value	278	126

(\$ in millions)	December 31,	
	Current in “Other current assets”	Non-current in “Other non-current assets”
Derivatives designated as hedging instruments:		
Foreign exchange contracts	15	10
Commodity contracts	–	–
Interest rate contracts	6	86
Cash-settled call options	8	5
Total	29	101
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	172	32
Commodity contracts	2	–
Cross-currency interest rate swaps	–	–
Embedded foreign exchange derivatives	94	53
Total	268	85
Total fair value	297	186

Close-out netting agreements provide for the termination, valuation and net settlement of some or all outstanding transactions between two counterparties on the occurrence of one or more pre-defined trigger events.

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at December 31, 2016 and 2015, have been presented on a gross basis.

	The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At December 31, 2016 and 2015, information related to these offsetting arrangements was as follows:
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(\$ in millions)

December 31, 2016

Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities		Non-cash collateral received
		eligible for set-off in case of default	Cash collateral received	
Derivatives	325	(190)		-
Reverse repurchase agreements	268	-		-
Total	593	(190)		-

(\$ in millions)

December 31, 2016

Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities		Non-cash collateral pledged
		eligible for set-off in case of default	Cash collateral pledged	
Derivatives	352	(190)		-
Total	352	(190)		-

(\$ in millions)

December 31, 2015

Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities		Non-cash collateral received
		eligible for set-off in case of default	Cash collateral received	
Derivatives	336	(215)		-
Reverse repurchase agreements	224	-		-
Total	560	(215)		-

(\$ in millions)

December 31, 2015

Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities		Non-cash collateral pledged
		eligible for set-off in case of default	Cash collateral pledged	
Derivatives	384	(215)		(3)
Total	384	(215)		(3)

Note 5 Fair values

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis and, when necessary, to record certain non-financial assets at fair value on a non-recurring basis, as well as to determine fair value disclosures for certain financial instruments carried at amortized cost in the financial statements. Financial assets and liabilities recorded at fair value on a recurring basis include foreign currency,

commodity and interest rate derivatives, as well as cash-settled call options and available-for-sale securities. Non-financial assets recorded at fair value on a non-recurring basis include long-lived assets that are reduced to their estimated fair value due to impairments.

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation techniques including the market approach (using observable market data for identical or similar assets and liabilities), the income approach (discounted cash flow models) and the cost approach (using costs a market participant would incur to develop a comparable asset). Inputs used to determine the fair value of assets and liabilities are defined by a three-level hierarchy, depending on the reliability of those inputs. The Company has categorized its financial assets and liabilities and non-financial assets measured at fair value within this hierarchy based on whether the inputs to the valuation technique are observable or unobservable. An observable input is based on market data obtained from independent sources, while an unobservable input reflects the Company's assumptions about market data.

The levels of the fair value hierarchy are as follows:

Level 1: Valuation inputs consist of quoted prices in an active market for identical assets or liabilities (observable quoted prices). Assets and liabilities valued using Level 1 inputs include listed derivatives which are actively traded such as commodity futures, interest rate futures and certain actively traded debt securities.

Level 2: Valuation inputs consist of observable inputs (other than Level 1 inputs) such as actively quoted prices for similar assets, quoted prices in inactive markets and inputs other than quoted prices such as interest rate yield curves, credit spreads, or inputs derived from other observable data by interpolation, correlation, regression or other means. The adjustments applied to quoted prices or the inputs used in valuation models may be both observable and unobservable. In these cases, the fair value measurement is classified as Level 2 unless the unobservable portion of the adjustment or the unobservable input to the valuation model is significant, in which case the fair value measurement would be classified as Level 3. Assets and liabilities valued or disclosed using Level 2 inputs include investments in certain funds, reverse repurchase agreements, certain debt securities that are not actively traded, interest rate swaps,

commodity swaps, cash-settled call options, forward foreign exchange contracts, foreign exchange swaps and forward rate agreements, time deposits, as well as financing receivables and debt.

Level 3: Valuation inputs are based on the Company's assumptions of relevant market data (unobservable input).

Whenever quoted prices involve bid-ask spreads, the Company ordinarily determines fair values based on mid-market quotes. However, for the purpose of determining the fair value of cash-settled call options serving as hedges of the Company's management incentive plan, bid prices are used.

When determining fair values based on quoted prices in an active market, the Company considers if the level of transaction activity for the financial instrument has significantly decreased, or would not be considered orderly. In such cases, the resulting changes in valuation techniques would be disclosed. If the market is considered disorderly or if quoted prices are not available, the Company is required to use another valuation technique, such as an income approach.

Recurring fair value measures	The fair values of financial assets and liabilities measured at fair value on a recurring basis were as follows:
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(\$ in millions)

Assets

Available-for-sale securities in "Marketable securities and short-term investments":

	Decem Level 1	Level 2
Equity securities	–	541
Debt securities—U.S. government obligations	220	–
Debt securities—Other government obligations	–	2
Debt securities—Corporate	–	95
Derivative assets—current in "Other current assets"	–	278
Derivative assets—non-current in "Other non-current assets"	–	126
Total	220	1,042

Liabilities

Derivative liabilities—current in "Other current liabilities"

Derivative liabilities—non-current in "Other non-current liabilities"	–	304
Total	–	405

(\$ in millions)

Assets

Available-for-sale securities in "Cash and equivalents":

	Decem Level 1	Level 2
Debt securities—Corporate	–	11
Available-for-sale securities in "Marketable securities and short-term investments":		
Equity securities	–	667
Debt securities—U.S. government obligations	121	–
Debt securities—Other government obligations	–	2
Debt securities—Corporate	–	508
Derivative assets—current in "Other current assets"	1	296
Derivative assets—non-current in "Other non-current assets"	–	186
Total	122	1,670

Liabilities

Derivative liabilities—current in "Other current liabilities"

Derivative liabilities—non-current in "Other non-current liabilities"	3	315
Total	3	449

	<p>The Company uses the following methods and assumptions in estimating fair values of financial assets and liabilities measured at fair value on a recurring basis:</p> <ul style="list-style-type: none">□ Available-for-sale securities in “Cash and equivalents” and “Marketable securities and short-term investments”: If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for nonperformance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.□ Derivatives: The fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or present value techniques, based on available market data, or option pricing models are used. Cash-settled call options hedging the Company’s WAR liability are valued based on bid prices of the equivalent listed warrant. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.
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Non-recurring fair value measures	There were no significant non-recurring fair value measurements during the year and three months ended December 31, 2016 and 2015.
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Disclosure about financial instruments carried on a cost basis	The fair values of financial instruments carried on a cost basis were as follows:
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(\$ in millions)	December 31, 2016			
	Carrying value	Level 1	Level 2	Level 3
Assets				
Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months):				
Cash	1,779	1,779		-
Time deposits	1,940		-	1,940
Marketable securities and short-term investments (excluding available-for-sale securities):				
Time deposits	824		-	824
Receivables under reverse repurchase agreements	268		-	268
Other short-term investments	3	3		-
Other non-current assets:				
Loans granted	30		-	31
Held-to-maturity securities	80		-	86
Restricted cash deposits	91	59		42
Liabilities				
Short-term debt and current maturities of long-term debt (excluding capital lease obligations)	964	856		108
Long-term debt (excluding capital lease obligations)	5,709	5,208		784
Non-current deposit liabilities in "Other non-current liabilities"	106		-	124

(\$ in millions)	December 31, 2015			
	Carrying value	Level 1	Level 2	Level 3
Assets				
Cash and equivalents (excluding available-for-sale securities)				

with original maturities up to 3 months):

Cash	1,837	1,837	-
Time deposits	2,717	-	2,717