

Currency translation impact

We operate worldwide in multiple currencies and seek to match our foreign exchange exposures on an economic basis. As we have chosen the US dollar as our presentation currency, differences arise when functional currencies are translated into our presentation currency. The table below shows the effect of foreign currency rates on the translation of selected line items.

Selected balance sheet items	variance over December 31, 2005, as of December 31, 2006	
	in USD millions	in %
Total investments	24,543	9%
Reserves for insurance contracts	17,344	8%
Cumulative translation adjustment in total equity	1,052	5%

The weakening of the US dollar from December 31, 2005 to December 31, 2006 had a positive effect on balance sheet positions in US dollar terms, which are translated at closing exchange rates.

For the year ended December 31, 2006, the impact of foreign currency translation on the consolidated income statements was not significant.

Balance sheet highlights

in USD millions, as of	12/31/06	12/31/05	Change
Group investments	195,676	183,455	7%
Investments for unit-linked products	114,327	93,838	22%
Total investments	310,003	277,293	12%
Reserves for losses and loss adjustment expenses	64,535	60,425	7%
Reserves for unearned premiums	14,668	13,531	8%
Other reserves for insurance contracts, excluding unit-linked products	95,437	90,277	6%
Reserves for unit-linked contracts	66,008	55,691	19%
Reserves for insurance contracts	240,648	219,924	9%
Liabilities for investment contracts (primarily unit-linked)	50,705	40,999	24%
Financial debt	7,713	7,540	2%
Total equity	27,056	23,240	16%
Total financial debt and equity	34,769	30,780	13%

Total investments increased by USD 32.7 billion, while on a local currency basis they increased by USD 8.2 billion, or 3 percent. Similarly, total reserves for insurance contracts increased by 9 percent, but on a local currency basis by 2 percent. Liabilities for investment contracts increased by 24 percent in reporting currency and 10 percent on a local currency basis. As of December 31, 2006, financial debt remained flat on a local currency basis compared with December 31, 2005, while total equity increased by 16 percent primarily due to the contribution of net income after taxes.