

Europe Insurance

FY12 Sovereign Exposures of Large Insurers - ALERT

We show in this Alert the FY12 exposure to government bonds of peripheral and other sovereigns for some of the large insurers under our coverage. We do this as a result of a number of investor requests. This is in advance of our quarterly 'Here are the numbers' note which Ashik Musaddi is leading.

The total FY12 peripheral gross exposure of these specific large insurance companies was around €160bn. The exposure to Italy government bonds was around €125bn whereas exposure to the Spanish govies remained at around €25bn at the end of FY12. Exposure to Greece has been further reduced to now less than €100mn at FY12 and most have marked to market their Greece exposure.

We show in the following tables the gross and the net sovereign government bonds exposures as well as the assumptions used

European Insurance

Michael Huttner, CFA ^{AC}

(44-20) 7134-4572

michael.huttner@jpmorgan.com

Andreas van Embden

(44-20) 7134-4574

andreas.vanembden@jpmorgan.com

Ashik Musaddi, CFA

(44-20) 7134-4708

ashik.x.musaddi@jpmorgan.com

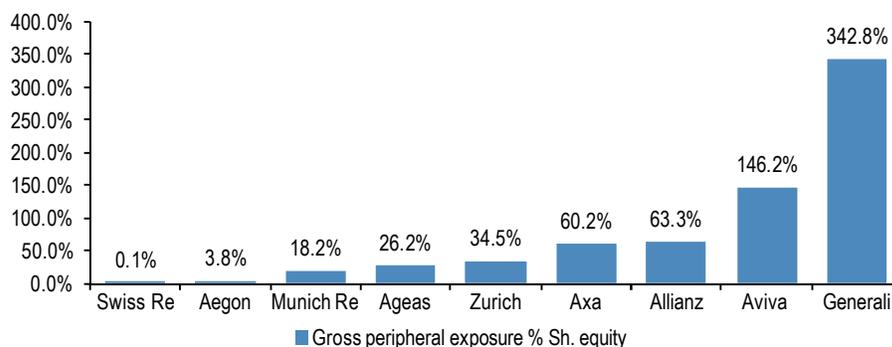
J.P. Morgan Securities plc

Table 1: Gross government bond exposure (gross of minorities, tax and policyholder) In Eur mn unless stated otherwise

| FY12 | Portugal | Italy | Ireland | Greece | Spain | UK | Germany | France | US | Benelux | Others | Total | Periph./ Sh eq |
|--------------|----------|--------|---------|--------|-------|--------|---------|--------|--------|---------|--------|---------|----------------|
| Aegon | 4 | 43 | 20 | - | 875 | 3,122 | na | na | 17,069 | 11,861 | 1,301 | 34,295 | 3.8% |
| Ageas | 700 | 1,200 | 400 | - | 300 | | 1,400 | 4,800 | | 19,100 | 6,800 | 34,700 | 26.2% |
| Allianz | 241 | 31,097 | 57 | 11 | 2,482 | 1,742 | 27,872 | 34,840 | 8,710 | | 67,148 | 174,200 | 63.3% |
| Aviva - £m | 257 | 9,397 | 423 | - | 2,207 | 18,366 | 3,563 | 11,205 | 4,566 | 3,045 | 11,713 | 64,742 | 146.2% |
| Axa | 900 | 16,400 | 2,700 | - | 7,600 | na | 26,280 | 52,560 | 13,140 | 32,850 | 66,570 | 219,000 | 60.2% |
| Generali | 1,200 | 59,700 | 1,600 | 77 | 5,400 | na | 10,100 | 26,400 | na | na | 32,023 | 136,500 | 342.8% |
| Munich Re | | 2,607 | 1,117 | | 1,210 | 4,841 | 31,654 | 3,165 | 21,413 | na | 27,092 | 93,100 | 18.2% |
| Swiss Re \$m | 18 | 1 | - | - | - | 16,129 | 6,229 | 3,468 | 18,403 | 1,715 | 12,049 | 58,012 | 0.1% |
| Zurich -\$m | 680 | 6,800 | 340 | - | 4,080 | 9,880 | 9,120 | 4,560 | 16,720 | 5,320 | 18,500 | 76,000 | 34.5% |

Source: Company reports and J.P. Morgan estimates. Periph. refers to Portugal, Ireland, Italy, Greece and Spain. For notes and assumptions please refer [Table 3](#)

Figure 1: Gross peripheral* government bond exposure as % shareholder's equity



Source: Company reports and J.P. Morgan estimates. *Peripheral refers to Portugal, Ireland, Italy, Greece and Spain. For notes and assumptions please refer [Table 3](#)

See page 3 for analyst certification and important disclosures, including non-US analyst disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Table 2: Net government bond exposure (net of policyholders, minorities and tax)

| FY12 LCm | Portugal | Italy | Ireland | Greece | Spain | UK | Germany | France | US | Benelux | Others | Total | Periph/ Sh eq |
|--------------|----------|--------|---------|--------|-------|--------|---------|--------|--------|---------|--------|---------|------------------|
| Aegon | 2 | 24 | 11 | - | 490 | 1,748 | na | na | 9,559 | 6,642 | 729 | 19,205 | 2.1% |
| Ageas | 188 | 475 | 245 | - | 119 | - | 621 | 1,901 | - | 7,563 | 2,423 | 13,535 | 10.4% |
| Allianz | 76 | 10,884 | 20 | 3 | 660 | 1,219 | 7,414 | 9,267 | 6,097 | - | 47,004 | 82,644 | 21.7% |
| Aviva - £m | - | 500 | - | - | 400 | 1,813 | 668 | 1,229 | 2,916 | 232 | 1,643 | 9,609 | 10.7% |
| Axa | 240 | 5,083 | 900 | - | 3,055 | na | 14,717 | 29,434 | 7,358 | 18,396 | 37,279 | 116,462 | 20.2% |
| Generali | 200 | 8,358 | 282 | 13 | 2,084 | na | 1,414 | 3,696 | na | na | 4,483 | 20,531 | 55.2% |
| Munich Re | - | 1,359 | 450 | - | 365 | 3,389 | 8,032 | 1,588 | 14,989 | na | 9,561 | 39,733 | 8.0% |
| Swiss Re \$m | 14 | 1 | - | - | - | 12,097 | 4,672 | 2,601 | 13,802 | 1,286 | 9,037 | 43,509 | 0.0% |
| Zurich -\$m | 383 | 3,825 | 191 | - | 2,142 | 4,446 | 5,130 | 3,420 | 12,540 | na | 17,865 | 49,942 | 19.0% |

Source: Company reports and J.P. Morgan estimates Periph. refers to Portugal, Ireland, Italy, Greece and Spain. For notes and assumptions please refer [Table 3](#)

Table 3: Assumptions and notes to sovereign government bond exposure split

ASSUMPTIONS AND NOTES FOR GROSS EXPOSURE

Ageas - Ireland as of 9M 12

Aegon - exposure is total cash, agencies, and treasuries

Zurich In addition Germany exposure as above, the balance sheet item "Other loans" includes USD 5bn of "Schuldscheindarlehen"

ASSUMPTIONS AND NOTES FOR NET EXPOSURE

Ageas - Net as % of Gross is as of FY 10

Munich Re is 30% tax and 44% sh share based on 80% p/h share in life business which has 70% of Greek bond exposure

AXA Net Peripheral Exposure is based on 1H11 Net/Gross %, others are JPMe based on netting assumption

Aviva peripheral exposure as of 9M 12

Source: J.P. Morgan estimates

Analyst Certification: The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures

Company-Specific Disclosures: Important disclosures, including price charts, are available for compendium reports and all J.P. Morgan-covered companies by visiting <https://mm.jpmorgan.com/disclosures/company>, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan’s Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock’s expected total return is compared to the expected total return of a benchmark country market index, not to those analysts’ coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst’s coverage universe can be found on J.P. Morgan’s research website, www.jpmorganmarkets.com.

Coverage Universe: Huttner, Michael Igor: Allianz (ALVG.DE), Baloise Holding AG (BALN.VX), CNP (CNPP.PA), Euler Hermes (ELER.PA), Generali Deutschland (GEIG.DE), Grupo Catalana Occidente (GCO.MC), Hannover Re (HNRGn.DE), ING (ING.AS), MLP (MLPG.F), Munich Re (MUVGn.DE), OVB Holding AG (O4BG.F), PZU (PZU.WA), SCOR (SCOR.PA), SNS REAAL (SR.AS), Swiss Life (SLHN.VX), Swiss Re (SREN.VX), Talanx (TLXGn.DE), Zurich Insurance Group AG (ZURN.VX)

J.P. Morgan Equity Research Ratings Distribution, as of January 1, 2013

| | Overweight (buy) | Neutral (hold) | Underweight (sell) |
|---|---------------------|-------------------|-----------------------|
| J.P. Morgan Global Equity Research Coverage | 44% | 44% | 12% |
| IB clients* | 53% | 46% | 34% |
| JPMS Equity Research Coverage | 42% | 49% | 9% |
| IB clients* | 71% | 62% | 51% |

*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.jpmorganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

Legal Entities Disclosures

U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorized and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa:** J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited, having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMS) [MICA (P) 088/04/2012 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Japan:** JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above.

India: For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised February 7, 2013.

Copyright 2013 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.