



# **Status of investments in securitized products as of the end of FY2008**

**May 2009**

**Tokio Marine Holdings, Inc.**

# Gains and losses on investments in securitized products



## [Status of gains and losses] (Note 1)

(unit: bn yen)

Category	As of Dec 31, 2008		As of Mar 31, 2009		Difference	Outstanding balance shown on B/S As of Mar 31, 2009 (Note 2)
	Gains/losses charged to P/L	Unrealized gains/losses (B/S)	Gains/losses charged to P/L	Unrealized gains/losses (B/S)		
CDS (Note 3)	-14.9	-	-14.2	-	0.7	631.1
SPL-related (Note 3)	-1.6	-	-1.9	-	-0.2	79.9
ABS	-26.0	-20.8	-36.1	-13.7	-2.9	250.2
SIV	-1.2	-	-1.2	-	-0.0	0.0
<b>Total</b>	<b>-42.2</b>	<b>-20.8</b>	<b>-51.6</b>	<b>-13.7</b>	<b>-2.2</b>	<b>881.4</b>
SPL-related	-1.6	-	-1.9	-	-0.2	79.9
Financial guaranty reinsurances (related to securitized products)	-14.2	-	-17.4	-	-3.2	526.8
SPL-related	-0.1	-	-0.1	-	-0.0	15.7

### <Reference>

Financial guaranty reinsurances (All) (Note 4)	-14.6	-	-17.9	-	-3.2	3,024.7
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(Note 1) The figures were sum of Tokio Marine & Nichido, Nisshin Fire, Tokio Marine & Nichido Life and Tokio Marine & Nichido Financial Life (hereinafter referred as "4 subsidiaries basis"). TMN Life and TMN Financial Life have no such losses.

(Note 2) Those figures indicate the amount shown on balance sheet. (The same in the next and subsequent pages.) Those of CDS and financial guaranty reinsurances are notional amount and net par insured respectively, as before.

(Note 3) CDS: Credit Default Swap SPL: U.S. subprime mortgage loans

(Note 4) Details of financial guarantee reinsurances are described on page 3.

- The losses charged to P/L as of the end of March 2009 were 51.6 bn yen, an increase of 9.4 bn yen from the end of December 2008, while the total losses (losses charged to P/L plus unrealized losses shown on B/S) increased by 2.2 bn yen in the same period. The credit spread remained almost unchanged during that period, but the mark-to-market value of several ABS declined to the level where the impairment losses had to be recognized.
- However, like the previous periods, none was in default and the above-mentioned losses are expected to be recovered to a certain level as the redemptions occur until maturity.

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## • Risk exposure related to SPL (Note 1)

(unit: bn yen)

Category	Risk exposure			Remarks
	As of Dec 31, 2008	As of Mar 31, 2009	Difference	
CDS	4.4	4.5	0.0	The increase was only due to the depreciation of yen. The risk exposure dropped on the contract amount (foreign currency) basis.
Hedge funds (Note 2)	0.1	0.0	-0.0	
<b>Total</b>	<b>4.5</b>	<b>4.5</b>	<b>0.0</b>	
Financial guaranty reinsurances	15.0	15.7	0.7	The increase was only due to the depreciation of yen. The risk exposure dropped on the contract amount (foreign currency) basis.
<b>Total</b>	<b>19.5</b>	<b>20.3</b>	<b>0.7</b>	

(Note 1) The risk exposure is defined as the amount in excess of credit enhancement assuming 100% loss on SPL related assets. (The risk exposure related to hedge fund investments was set to be the net of the long position and the short position.)

(Note 2) Unrealized losses on hedge funds including SPL-related securities as of the end of March 2009 were 2.4 bn yen. (Hedge fund investments is set out of scope of this matter because it is largely affected by other factors (equity market, foreign exchange rate etc) than credit risk.)

## • Details of SPL-related exposures

(unit: bn yen)

	Rating	Subordination ratio	Vintage (the year of issuance)			Remarks	
			2005 or before	2006	2007 and after		
CDS	Super senior tranche of CDO backed by ABS (76.9 bn yen)	AAA	17%	94%	6%	—	
	The most senior tranche of CDO backed by ABS (3 bn yen)	B+	49%	71%	4%	25%	Guaranteed by MBIA
Financial guaranty reinsurances	37% were rated AAA.	—	43%	3%	54%		

### (For reference)

- In addition to the above, the amounts of investments in ABS at Philadelphia Consolidated were approx. 28.7 bn yen, including approx. 0.1 bn yen of SPL-related investments. (no amount of investments in CDS)

# Breakdown on Investments in CDS and ABS



## 【Investments in CDS】 (Note)

(unit: bn yen)

Category	Net notional amount As of Mar 31, 2009	Proportion	Rating	Remarks
CDS related to SPL	79.9	13%	More than 87% were rated AAA.	There was no CDS on U.S. RMBS other than those related to SPL.
Non-U.S. RMBS excl. Japan	5.3	1%		
JGB	42.2	7%		
International public infrastructure finance	73.1	12%		
International and domestic corporates	430.3	68%		
<b>Total</b>	<b>631.1</b>	<b>100%</b>		International and domestic corporates consisted of approx. 1,100 corporates (proportion of international: 91%) with the credit enhancement of approx. 24% on average.

(Note) 4 subsidiaries basis. (Nisshin Fire, TMN Life and TMN Financial Life have no such investments.)

## 【Investments in ABS】 (Note 1)

(unit: bn yen)

Category	Investment amount As of Mar 31, 2009	Proportion	Rating	Remarks
SPL	-	-	More than 77% were rated AAA.	The vintage distribution was: 2005 or before 8%, 2006 26%, 2007 and after 66%.
U.S. RMBS etc. (Note 2)	40.7	16%		
Non-U.S. RMBS excl. Japan etc.	37.6	15%		
Domestic RMBS	39.0	16%		
International and domestic infrastructure	43.1	17%		
International and domestic corporates	28.6	11%		
Domestic lease/credit receivables etc.	56.8	23%		
International cards receivable etc.	4.2	2%		
<b>Total</b> (Note 3)	<b>250.2</b>	<b>100%</b>		Proportion by underlying asset: 43% domestic, 57% international

(Note1) 4 subsidiaries basis. (TMN Life and TMN Financial Life have no such investments.)

(Note2) The amount of U.S. Alt-A RMBS was approx. 11.6 bn yen (accounting for 5% of the total amount of investments in ABS.)

(Note3) ABS purchased from Vetra of approx. 77.8 bn yen in total were included in U.S. RMBS, non-U.S. RMBS excluding Japan and international and domestic corporates.

- The net notional amount of investments in CDS was approx. 631.1 bn yen, a decrease of 76.7 bn yen from the end of December 2008. The amount of investments in ABS decreased by 24.6 bn yen to 250.2 bn yen. Those decreases are due to factors such as redemption.
- For CDSs, assuming 0.1% increase in credit spread, the amount of evaluation losses will increase by approx. 1.1 bn yen.

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## • Investments in CDS and ABS guaranteed by monoline insurers (Those included in the above table) (Note)

(unit: bn yen)

	Outstanding balance As of Mar 31, 2009	Remarks
CDS	89.8	Approximately 84% were backed by the assets and cash flows on public infrastructures (airports, toll roads, etc)
ABS	40.3	(*) Even if the monoline insurers go into bankruptcy, no realized losses will occur unless the underlying assets are also in default.
<b>Total</b>	<b>130.2</b>	The total amount of investments in CDSs and ABSs guaranteed by monoline insurers dropped by 2.1 bn yen from the end of Dec 2008.

(Note) 4 subsidiaries basis. (Nisshin Fire, TMN Life and TMN Financial Life have no such investments.)

- In addition to the exposure shown in the above table, Tokio Marine Financial Solutions Ltd., a subsidiary of Tokio Marine & Nichido, had the exposure to monoline insurers through guarantee contracts on monoline wrapped bonds backed by loans to international corporates with underlying tranche rating of AA and credit enhancement of approx. 32% on average. The amount of those was approx. 57.6 bn yen as of the end of March 2009, which increased by 3.2 bn yen from the end of December 2008. The company also had the guarantee contracts exposures of approximately 49.1 bn yen as of the end of March 2009, an increase of 3.6 bn yen from the end of December 2008, to securities not guaranteed by monoline insurers and backed by loans to international corporates with underlying tranche rating of AAA and credit enhancement of approx. 46% on average. Those increases in outstanding balance were not due to new contracts but due to depreciation of yen.

## (For reference) Investments in others

(Unit: bn yen)

	Outstanding balance As of the end of March 2009	Difference From the end of December 2008	
Domestic CMBS (Note)	3.5	-1.7	All were rated AAA.
Leveraged loan	8.9	+0.1	All were domestic and classified as performing loans.

(Note) Investments in Domestic CMBS (commercial mortgage-backed securities), being regarded as the real estate investment risk, were not included in the investments in ABS. (On the other hand, investments in international CMBS were included in the investments in ABS because all of which had been purchased from Vetra. The amount of such CMBS investments was 14.3 bn yen as of the end of March 2009 and more than 85% were rated AAA.)

# Breakdown on Financial guaranty reinsurances



(unit: bn yen)

Category	Net par insured			Incurred losses			
	As of Mar 31, 2009	Proportion	Difference from Dec 31, 2008	As of Dec 31, 2008	As of Mar 31, 2009	Difference	
ABS	SPL	15.7	1%	0.7	0.1	0.1	0.08
	U.S. RMBS excl SPL	72.6	2%	1.4	13.0	16.0	2.9
	OTHERS	99.4	3%	4.3	1.0	1.1	0.08
	Non-U.S. RMBS	(7.0)	(0%)	(-0.1)	(-)	(-)	(-)
	Auto-loan	(30.0)	(1%)	(-0.2)	(-)	(-)	(-)
	Consumer	(9.9)	(0%)	(-0.3)	(-)	(-)	(-)
	Account receivable related to cross boarder transaction	(15.6)	(1%)	(1.1)	(-)	(-)	(-)
	Electric utilities	(5.8)	(0%)	(0.4)	(1.0)	(1.1)	(0.08)
	Lease receivable etc.	(30.7)	(1%)	(3.4)	(-)	(-)	(-)
CMBS	-	-	-	-	-	-	
CDO	Global corporates	338.8	11%	15.4	0.06	0.08	0.01
	ABS-CDO	0.1	0%	-0.02	-	-	-
U.S. public finance, etc	2,497.9	83%	135.1	0.3	0.4	0.06	
<b>Total</b>	<b>3,024.7</b>	<b>100%</b>	<b>157.1</b>	<b>14.6</b>	<b>17.9</b>	<b>3.2</b>	

(Note) Only Tokio Marine & Nichido has such reinsurances.

- Financial Security Assurance ("FSA") is the only monoline insurer from which Tokio Marine & Nichido accepts financial guaranty reinsurances.
- Total amount of ceded par increased by approx.150 bn yen from the end of December 2008. It was due to the depreciation of yen and Tokio Marine & Nichido did not write new contracts.
- The incurred loss generated during the three months period ended March 31, 2009 was 3.2 bn yen. This is mainly attributed to the increase in loss reserves on U.S. RMBS excluding SPL, on which the incurred loss had been recognized, as a result of the upward revision of default scenarios in the midst of a prolonged sluggish U.S. housing market.
- Approx. 83% of the total net par insured as of the end of March 2009 was classified as U.S. public finance, etc. FSA as the primary insurer has sufficient rights and remedies such as step-in rights on such insured issuers.
- Approx. 11% of the total net par insured as of the end of March 2009 was classified as CDO. There is only one ABS-CDO with 0.1 bn yen exposure, and the rest was not resecured products. Subordination ratio was approx. 25% on average and approx. 87% were rated AAA. The incurred loss from CDO was only 80 mil yen.
- FSA was announced to be acquired by Assured Guaranty Ltd., another monoline.