

Equities

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The Standards: Sovereign Debt Update

Review of Greek Debt Impairments in Q2 Results

■ Accounting

- **Wide range of Greek impairments** — We have reviewed banks and insurers Q2 results for impairments of sovereign debt. Only Greek debt, and no other peripheral European sovereign exposure, has been impaired. As we expected, reported impairments have varied widely, ranging from 6% to 51% of total exposure.
- **Not all Greek debt written down** — Many companies have only written down Greek sovereign bonds maturing by 2020 (ie those included in the proposed bond exchange), although German and UK companies have generally impaired all Greek sovereign debt.
- **Different measurement techniques** — Most companies have written down Available for Sale (AFS) holdings to market value, but some, particularly French companies, have applied a 21% model-based impairment (a “level 3” valuation). Companies have also used two different measurement methods for Held to Maturity (HTM) debt.
- **IASB concern** — The IASB Chairman has written to the European Securities and Markets Authority expressing “great concern” at the “inconsistent application” of the accounting rules. Although EU companies report under IFRS, there is no effective pan-European enforcement of IFRS application, and the rules may be interpreted differently in different countries.
- **Lack of comparability** — Due to the lack of accounting consistency, banks/insurers reported profits and book values may not be comparable, and investors should review sovereign debt exposures and the accounting methods applied to them. We summarise the Greek sovereign debt impairments reported by European banks and insurers in Figure 2 on page 5, and include a summary of the sovereign exposure information provided by companies in interim reports in Appendix 2.

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Q2 results sovereign debt update

Reviewing Q2 results for Greek debt impairments

We previously outlined our view that there were strong arguments for European banks to take impairment charges on their Greek government bond holdings in 2Q11 results, irrespective of participation in the Institute of International Finance (IIF) proposed bond exchange scheme. Now that reporting season is largely complete¹, we have reviewed the interim reports of European banks, identifying whether sovereign debt has been impaired, and comparing the approaches taken in measuring impairment. We have expanded our analysis to include some European insurers, many of which have reported exposure to peripheral² sovereign debt.

Our most recent discussion of sovereign debt accounting, included within [European Banks - Greek Sovereign Debt Impairments in 2Q11](#) (27 July)³, focused on two questions in relation to possible impairment of sovereign debt. First, whether Greek government bonds were impaired at 30 June, and second, how any impairment should be measured under IFRS for each of the relevant accounting classifications.

IASB Chairman's "great concern" at inconsistent application of IAS 39

As anticipated, there have been significant inconsistencies in the approaches taken by banks in Q2 reporting. A recent letter⁴ from the International Accounting Standards Board (IASB) Chairman Hans Hoogervorst to the European Securities and Markets Authority (ESMA) expressed "great concern" at the "inconsistent application of IAS 39" across Europe.

As a result, some Available for Sale holdings of Greek government bonds have not been impaired, while many have been written down by 21% irrespective of the market price, and others have been written down to market value (up to 51% write down). Overall the level of impairment charges on total Greek sovereign exposure varied from 6% to 51%. This lack of accounting consistency reduces the comparability of banks'/insurers' reported profits and book equity.

Were Greek government bonds impaired at 30 June?

IAS 39 paragraph 59 states that a financial asset is impaired (and so should be written down in profit or loss) if there is "objective evidence of impairment". The first indicator of such evidence listed in IAS 39 is significant financial difficulty of the issuer, and in our previous reports our view was that it would be quite difficult for a company to argue that this phrase was not applicable to Greece at 30 June 2011.

Many European companies did not impair Greek bonds maturing post 2020

Some European banks and insurers did not specify any impairments of Greek debt holdings, although this may be due to the relative immateriality of the amounts involved. Many companies impaired only those bonds maturing before end-2020 (ie those bonds covered by the proposed exchange), despite holding material amounts of longer maturity bonds.

German and UK companies generally impaired all material Greek government bond holdings, including post 2020 maturities, while French, Belgian, Dutch, Greek, and some Italian companies in our sample only impaired maturities covered by the IIF plan. We noted in our previous report that banks with longer-duration exposure

¹ All banks/insurers we reviewed have reported Q2/H1 results except ATEbank and TT Hellenic Postbank who delayed reporting until up to 15 September.

² "Peripheral sovereigns" refers to Greece, Ireland, Italy, Portugal, and Spain.

³ See also *The Standards: Sovereign Debt Questions – Accounting for Government Debt Restructuring or Rescheduling*, dated 26 May 2011, and *The Standards: Sovereign Debt Update - French plan for Greek debt may not solve accounting problem*, 8 July 2011.

⁴ See www.ifrs.org.

would benefit relatively more from arguing that debt maturing post 2020 was not impaired, and that banks with significant exposure to Greek sovereign debt maturing post 2020 included BNP Paribas, Dexia, Commerzbank, and the Greek banks. Of these, only Commerzbank wrote down post 2020 maturities in Q2 results. The IDW (German auditors' body) published a statement on 20 July specifying that Greek government debt should be impaired in Q2 financial statements⁵, which may explain the more conservative accounting by German companies.

Figure 1. Summary of Greek sovereign impairments for companies with stated exposure to Greek sovereign debt, Q2 2011

Company	Country	Auditor	Impairment announced?	Maturities impaired?	Notes
AEGON	Netherlands	E&Y	No	n/a	€4m Greek exposure
Ageas	Belgium	KPMG	Yes	Bonds to 2020	
Allianz	Germany	KPMG	Yes	All	
Allied Irish	Ireland	KPMG	Yes	nd	
Alpha Bank	Greece	KPMG	Yes	Bonds to 2020	
Aviva	UK	E&Y	No	n/a	All held FVTPL* so impairment not relevant
AXA	France	PwC / Mazars	Yes	Bonds to 2020	
Banco BPI	Portugal	Deloitte	No	n/a	BPI does not plan to participate in IIF exchange
Banco Popolare	Italy	E&Y	Yes	All	No post 2020 exposure
Bank of Cyprus	Cyprus	E&Y	Yes	Bonds to 2020	
Barclays	UK	PwC	No	n/a	£14m AFS Greek exposure held with no AFS reserve in connection with a customer insurance product
BCP	Portugal	KPMG	No	n/a	BCP does not plan to participate in IIF exchange
BNP Paribas	France	Deloitte / PwC / Mazars	Yes	Bonds to 2020	
BP Milano	Italy	E&Y	No	n/a	All held FVTPL* so impairment not relevant
CNP Assurances	France	PwC / Mazars	Yes	Bonds to 2020	
Commerzbank	Germany	PwC	Yes	All	
Credit Agricole	France	PwC / E&Y	Yes	Bonds to 2020	
Credit Suisse	Switzerland	KPMG	No	n/a	No exposure net of collateral and CDS hedges.
Deutsche Bank	Germany	KPMG	Yes	All	
Dexia	Belgium	Deloitte	Yes	Bonds to 2020	
Erste Bank	Austria	Sparkassen-Prüfungsverband / E&Y	No	n/a	Erste assessing the potential consequences of IIF proposals
Eurobank EFG	Greece	PwC	Yes	Bonds to 2020	
Generali	Italy	PwC	Yes	Bonds to 2020	
Groupama	France	PwC / Mazars	Yes	Bonds to 2020	
HSBC	UK	KPMG	Yes	All	
ING	Netherlands	E&Y	Yes	Bonds to 2020	
Intesa Sanpaolo	Italy	E&Y	Yes	Bonds to 2020	
KBC	Belgium	E&Y	Yes	Bonds to 2020	
Legal & General	UK	PwC	No	n/a	£1m Greek exposure
Marfin	Cyprus	PwC / Grant Thornton	Yes	Bonds to 2020	
Monte dei Paschi	Italy	KPMG	Yes	All	One bond held
Munich Re	Germany	KPMG	Yes	All	
Natixis	France	Deloitte / KPMG / Mazars	Yes	Bonds to 2020	
NBG	Greece	Deloitte	Yes	Bonds to 2020	
Piraeus	Greece	PwC	Yes	Bonds to 2020	
RBS	UK	Deloitte	Yes	All	
RSA Insurance	UK	Deloitte	No	n/a	£6m Greek exposure
SEB	Sweden	PwC	No	n/a	
Societe Generale	France	E&Y / Deloitte	Yes	All	No post 2020 exposure
Swedbank	Sweden	Deloitte	No	n/a	SEK51m Greek exposure
UBS	Switzerland	E&Y	No	n/a	CHF116m exposure
UniCredit	Italy	KPMG	Yes	All	

Source: Company Reports. *Fair Value through Profit or Loss.

⁵ See www.idw.de.

Figure 1 above specifies which companies reported Greek debt impairment charges during Q2, excluding any companies which did not report exposure to Greek sovereign debt⁶.

A number of companies including Allianz, Deutsche Bank, HSBC, and RBS gave reasons related to the deterioration of Greece's fiscal situation as the impairment trigger, and therefore not specifically the result of agreeing to participate in the IIF scheme. Notably, these companies impaired debt of all maturities, not just that debt maturing before the end of 2020.

Many companies regarded the IIF proposal as the impairment trigger

The IIF proposal, announced on 21 July, was the most commonly cited reason for impairing Greek debt amongst the companies we reviewed. While the IIF proposals were announced after the period end, a number of companies (including BNP Paribas, Credit Agricole, Dexia, and Societe Generale) stated that they were aware of the proposals during June, thereby meeting the IFRS requirement that companies assess evidence that exists at the end of a reporting period. A number of other companies did not explain why the IIF announcement was an appropriate basis on which to impair during Q2. It can be argued that the IIF announcement was an adjusting event (in accordance with IAS 10) providing new information about a circumstance which existed at the period end, but many companies did not clarify this⁷. The companies which noted IIF as the impairment trigger generally impaired only bonds maturing before December 2020.

Quantifying impairment charges

As we have discussed in previous notes, the calculation of impairment charges differs between assets which are classified in the Available for Sale (AFS) category and those classified in the Held to Maturity (HTM) or Loans & Receivables (L&R) categories. There is no question of impairment on Greek sovereign debt classified in the Fair Value through Profit or Loss (FVTPL) category (e.g. trading book assets or derivative exposures) because these are marked to market.

Impairment charges not measured consistently

European banks and insurers have not applied a consistent method of impairing Greek government debt holdings in Q2/H1 2011 results. We have identified inconsistencies in the treatment of AFS debt and also debt instruments held at amortised cost (HTM/L&R).

Figure 2 provides a summary of the impairment rates recorded by those companies who disclosed them, or provided enough information to calculate. Due to variations in the data provided, the calculated impairment rates may not be perfectly comparable. Note that where possible we have used gross impairment charges (ie before tax, and gross of losses borne by policyholders in the case of insurance companies). Policyholders partially share losses when assets are located in participating funds, which can significantly reduce the ultimate impact for insurance company shareholders. The impact of sovereign exposures on insurers is discussed in more detail in a recent note by the CIRA European Insurance team, [European Insurers - Navigating Uncertainty](#), dated 5 September 2011.

⁶ See Figure 7 in Appendix 1.

⁷ Some did: eg Piraeus specified the 21 July announcement was an adjusting event, while NBG specified a Letter of Inquiry regarding the Greek government bond holdings, sent by the Greek Ministry of Finance and dated 25 August 2011, was an adjusting event.

Figure 2. Total Greek sovereign debt impairment rates*, Q2 2011

Company	Country	Auditor	Maturities Impaired?	Impairment measurement	Curr	Gross amount of impaired GGBs	Total GGBs excl. trading book	Total gross impairment	Impairment % (impaired bonds)	Impairment % (all bonds)
Ageas	Belgium	KPMG	To 2020	AFS: market value	EUR	nd	1,742	322	nd	18%
Allianz	Germany	KPMG	All	AFS: market value	EUR	1,416	1,416	644	45%	45%
Allied Irish	Ireland	KPMG	nd	nd	EUR	40	40	10	25%	25%
Alpha Bank	Greece	KPMG	To 2020	AFS: market value, HTM: nd	EUR	3,732	6,832	673	18%	10%
AXA	France	PwC / Mazars	To 2020	AFS: market value	EUR	560	1,522	224	40%	15%
Banco Popolare ¹	Italy	E&Y	All	AFS: market value	EUR	30	30	15	50%	50%
Bank of Cyprus	Cyprus	E&Y	To 2020	AFS: market value, L&R/HTM: PV using EIR**	EUR	1,050	1,907	281	27%	15%
BNP Paribas ²	France	Deloitte / PwC / Mazars	To 2020	AFS reclassified to HTM/L&R: 21% model	EUR	2,520	4,707	560	22%	12%
CNP Assurances	France	PwC / Mazars	To 2020	AFS: 21% model	EUR	1,736	1,865	353	20%	19%
Commerzbank	Germany	PwC	All	AFS: market value, L&R: 21% model	EUR	3,107	3,107	760	24%	24%
Credit Agricole ³	France	PwC / E&Y	To 2020	All: 21% model	EUR	nd	nd	202	nd	nd
Deutsche Bank ⁴	Germany	KPMG	All	AFS: market value	EUR	867	888	155	18%	17%
Dexia	Belgium	Deloitte	To 2020	All: 21% model	EUR	1,796	4,162	377	21%	9%
Eurobank EFG ⁵	Greece	PwC	To 2020	AFS: market value, L&R/HTM: PV using EIR**	EUR	5,186	10,669	830	16%	8%
Generali	Italy	PwC	To 2020	AFS: market value	EUR	2,141	2,974	1,002	47%	34%
Groupama	France	PwC / Mazars	To 2020	All: 21% model	EUR	806	3,144	180	22%	6%
HSBC	UK	KPMG	All	AFS: market value	USD	205	205	105	51%	51%
ING	Netherlands	E&Y	To 2020	AFS: market value	EUR	nd	1,285	310	nd	24%
Intesa Sanpaolo	Italy	E&Y	To 2020	AFS: market value, L&R: 21% model	EUR	136	860	48	35%	6%
KBC ⁶	Belgium	E&Y	To 2020	AFS: market value, HTM: 21% model	EUR	507	539	139	27%	26%
Marfin	Cyprus	PwC / Grant Thornton	To 2020	AFS: market value, L&R/HTM: PV using EIR**	EUR	944	3,162	208	22%	7%
Monte dei Paschi	Italy	KPMG	All	L&R: nd	EUR	17	17	7	44%	44%
Munich Re	Germany	KPMG	All	All: market value	EUR	1,545	1,545	703	46%	46%
Natixis ⁷	France	Deloitte / KPMG / Mazars	To 2020	All: 21% model	EUR	71	102	15	21%	15%
NBG	Greece	Deloitte	To 2020	AFS: market value, L&R/HTM: PV using EIR**	EUR	9,973	14,747	1,645	16%	11%
Piraeus	Greece	PwC	To 2020	AFS: market value, L&R/HTM: PV using EIR**	EUR	6,962	nd	1,005	14%	nd
RBS	UK	Deloitte	All	AFS: market value	GBP	1,466	1,476	733	50%	50%
Societe Generale ¹	France	E&Y / Deloitte	All	All: 21% model	EUR	1,870	1,870	395	21%	21%
UniCredit ⁸	Italy	KPMG	All	All: 21% model	EUR	510	510	130	25%	25%
Weighted average									23%	14%

Source: Company Reports. Notes: nd = not disclosed. *All impairments calculated as % of amortised cost, not nominal amount. **Present value of future cash flows using original EIR. ¹ No post 2020 exposure. ² Impairment includes €26m post tax from associate. ³ Impairment net of policyholder participation. No gross figures disclosed. Carrying value of total AFS exposure (post impairment) €5,249m, of which €2,779m matures before 2020. ⁴ Postbank sovereign exposures recognised at market value on acquisition in December 2010. ⁵ Total GGBs excl. trading book includes €5,483m ineligible securities at carrying value. €81m of which is AFS at FV, and the remainder L&R. ⁶ Impaired GGBs of €507m Citi calculation. Disclosure of Greek exposure €0.3bn AFS, €0.1bn HTM (post impairment), €0.1bn FV. €0.04bn of total matures post 2020. €0.04bn attributed pro-rata between classifications. ⁷ All figures net of policyholders participation. ⁸ Greek debt on level 3 valuation. If level 1 had been used, AFS impairment would have been €155m (€75m more impairment).

AFS impairment is write-down to market value

AFS

IAS 39 specifies that the impairment charge is the accumulated loss to the reporting date, i.e. a write-down to fair value at 30 June 2011. The best evidence of fair value is quoted prices in an active market. This is known as a level 1 valuation in the fair value hierarchy of valuation techniques specified in IFRS 7:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs other than quoted prices that are observable for the asset, either directly or indirectly
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs)

In practice companies used one of two methods to determine the impairments of AFS Greek government debt at 30 June:

- Impairment to market value (ie level 1 valuation)
- 21% writedown on nominal value based on IIF proposal (which assumed a 9% discount rate), implying a level 3 valuation

This is summarised in Figure 3. The writedowns on AFS debt have varied from 10% to 51%. However with two exceptions⁸ the market value impairments were greater than 21% (of course the appropriate level of impairment depends on the maturity and purchase price of the bonds held).

⁸ In the case of Deutsche Bank, the impairment % was lower due to Deutsche Postbank sovereign exposures being measured at market value on acquisition in December 2010.

Figure 3. AFS Greek sovereign debt impairment rates*, Q2 2011

Company	Country	Auditor	AFS Impairment measurement	Curr	AFS holding impaired	AFS impairment	AFS impairment %
Ageas	Belgium	KPMG	Market value	EUR	nd	322	nd
Allianz	Germany	KPMG	Market value	EUR	1,416	644	45%
Allied Irish	Ireland	KPMG	Not disclosed	EUR	40	10	25%
Alpha Bank	Greece	KPMG	Market value	EUR	801	77	10%
AXA	France	PwC / Mazars	Market value	EUR	560	224	40%
Banco Popolare	Italy	E&Y	Market value	EUR	30	15	50%
Bank of Cyprus	Cyprus	E&Y	Market value	EUR	400	161	40%
BNP Paribas ¹	France	Deloitte / PwC / Mazars	21% model	EUR	2,520	534	21%
CNP Assurances	France	PwC / Mazars	21% model	EUR	1,736	353	20%
Commerzbank	Germany	PwC	Market value	EUR	381	195	51%
Credit Agricole ²	France	PwC / E&Y	21% model	EUR	nd	173	nd
Deutsche Bank ³	Germany	KPMG	Market value	EUR	867	155	18%
Dexia	Belgium	Deloitte	21% model	EUR	1,624	341	21%
Eurobank EFG	Greece	PwC	Market value	EUR	22	10	45%
Generali	Italy	PwC	Market value	EUR	2,141	1,002	47%
Groupama	France	PwC / Mazars	21% model	EUR	806	180	22%
HSBC	UK	KPMG	Market value	USD	205	105	51%
ING	Netherlands	E&Y	Market value	EUR	nd	310	nd
Intesa Sanpaolo	Italy	E&Y	Market value	EUR	91	36	40%
KBC ⁴	Belgium	E&Y	Market value	EUR	398	122	31%
Marfin	Cyprus	PwC / Grant Thornton	Market value	EUR	427	114	27%
Munich Re	Germany	KPMG	Market value	EUR	1,490	679	46%
Natixis	France	Deloitte / KPMG / Mazars	21% model	EUR	nd	nd	nd
NBG	Greece	Deloitte	Market value	EUR	1,061	343	32%
Piraeus	Greece	PwC	Market value	EUR	474	165	35%
RBS	UK	Deloitte	Market value	GBP	1,466	733	50%
Societe Generale	France	E&Y / Deloitte	21% model	EUR	1,825	386	21%
UniCredit ⁵	Italy	KPMG	21% model	EUR	296	79	27%
Weighted average							33%

Source: Company Reports. *All impairments calculated as % of amortised cost, not nominal amount. Weighted average of companies where AFS impairment % calculated. ¹ All AFS Greek debt reclassified to L&R at 30 June 2011. ² €173m impairment net of policyholder participation. No gross figure was disclosed. Carrying value of total AFS exposure (post impairment) €5,249m, of which €2,779m matures before 2020. ³ Postbank sovereign exposures recognised at market value on acquisition in December 2010. ⁴ AFS holding of €398m Citi calculation. Disclosure of Greek exposure €0.3bn AFS (post impairment) and €0.04bn of total exposure matures post 2020. €0.04bn attributed pro-rata between classifications. ⁵ Greek debt on level 3 valuation. If level 1 had been used, AFS impairment would have been €155m (€75m more impairment).

French companies mostly applied 21% writedown

Generally, most European banks and insurers have written down the AFS holdings to market value. This includes the Greek banks, although we note that they mostly had a relatively small proportion of their exposure in the AFS category following significant reclassifications into HTM/L&R categories in April 2010. However, the French companies in our sample, with the exception of AXA which used market value, have all written the AFS debt down by 21% (measured against nominal value), as has the Belgian bank Dexia and Italian bank UniCredit.

Several companies applying the 21% writedown to AFS holdings explicitly stated this was a level 3 valuation (eg BNP Paribas, CNP Assurances, Credit Agricole, Groupama, and UniCredit). BNP Paribas noted that it transferred all Greek, Irish and Portuguese sovereign exposures to level 3 at 30 June (as well as reclassifying this debt from AFS to L&R). Dexia mentioned that its model incorporated “market data still available”, possibly indicating a level 2 valuation. AXA stated that it wrote its Greek debt down to market value but implied this might be a level 2 valuation.

Interestingly, UniCredit also disclosed a level 1 (market price based) fair value of Greek debt, which would have doubled the AFS impairment recorded. The fact that UniCredit disclosed a level 1 fair value for Greek debt but booked impairment using a level 3 valuation is somewhat confusing as level 3 valuations should be used only when a fair value based on market prices is unavailable.

Companies have provided a variety of explanations of the 21% writedowns. These are shown in Figure 4. For example Societe Generale noted that the 21% discount was derived using a 9% discount rate, which "is consistent with market yields on maturities similar to the new 30-year Greek bonds, after a correction of the yield curve as at June 30, 2011, the current inversion of which is typical of an abnormal market configuration." CNP Assurances stated that it had developed an internal model and derived 21% impairment from a "market consensus of the economic value of Greek debt securities on 22 July 2011 rather than on any inherent accounting-based assessment of each of the provisions of the rescue plan and their implementation."

Figure 4. Company explanations of use of 21% as basis of AFS impairment

Credit Agricole and Natixis did not provide sufficient information to calculate AFS an impairment rate in Figure 3 above, but did disclose that AFS impairment was using the 21% cited by the IIF.

Company	Explanation of 21% impairment on nominal amount
BNP Paribas ¹	<p>The standstill in the primary market, the increasingly thin trading volumes in the secondary market, their small size and the widening in bid/offer spreads reflect investors' risk aversion to these three countries and the near disappearance of the market. The implied yield curve on the public debt of these countries is currently inverted—with short-term rates significantly higher than long-term rates—confirming the dislocation of the market. The implied losses that the very high level of short-term rates suggests do not reflect the expected results of the support plans implemented to give these countries the ability to get their public finances back in shape and honour their commitments.</p> <p>Greek sovereign debt instruments are covered by provisions under the second support plan for Greece. This plan has several options, with terms leading to recognition of an initial discount of 21%. The BNP Paribas group intends to take up this exchange option in connection with the collective undertaking given by the French financial sector. Accordingly, the debt securities held on the Group's balance sheet and due to be exchanged were measured by recognising the 21% discount.</p>
CNP Assurances	<p>This impairment was calculated based on 79% of the nominal value of the securities and reflects the Group's assessment of the extent of private sector participation in the Greek rescue plan. This assessment is based on a market consensus of the economic value of Greek debt securities on 22 July 2011 rather than on any inherent accounting-based assessment of each of the provisions of the rescue plan and their implementation.</p>
Credit Agricole	<p>This special situation and the very low liquidity of the Greek debt market has induced Crédit Agricole S.A. Group to value these instruments on a "mark-to-model" basis at 30 June 2011 and to classify them as Level 3, with the exception of the securities in the trading book that were retained as Level 1 on a "mark-to-market" basis owing to their nature and their maturity (less than 6 months). In fact, owing to the very low trading volumes in the past several months and the commitments made by the financial institutions vis-à-vis the governments to hold their securities, the prices in this market can no longer be considered to be representative of the fair value of the instruments issued. For securities maturing before 31 December 2020 and covered by the plan, the valuation model results in a 21% discount (current value of the securities calculated by applying a discount rate of 9%, which is comparable to the observed rate for securities with similar maturities) to the nominal value of the securities for which they are substituted. This discount represents the loss accepted by the Group owing to the Greek government's financial situation and, by comparison with the existing securities, corresponds to relinquishing contractual cash flows.</p>
Dexia	<p>As Dexia is committed to participate in the IIF plan, the valuation of the Greek sovereign bonds maturing before 2021 has been adjusted to reflect a discount of 21% of the nominal value. Notwithstanding the restructuring plan for Greece, Dexia considered the Greek sovereign bonds market as illiquid and estimated their fair value by using a model (valuation technique) which incorporates market data still available. The negative AFS reserve – including the hedge accounting impact – of the Greek sovereign bonds maturing before 2021 based on this model was not materially different from the 21% discount on nominal value when taking into account fair value hedge accounting impacts on these bonds.</p>
Groupama	<p>The absence of liquidity in the Greek debt secondary market has led the Group to adopt a model-based valuation approach. There have been signs of a sharp reduction in the Greek debt secondary market since May 2010, when the first support package for Greece was approved. Since that date, the Group has reviewed the criteria that qualify the markets as inactive (volumes, buy/sell spreads, broker positions, etc.) and deems the market for Greek debt to be no longer active. Greek sovereign debt held by the Group has therefore been valued since 25 March 2011 using a model-based approach and is classified as Level 3, based on the IFRS 7 approach of classifying debt by level of asset liquidity. As the programme involves securities maturing before 2020, valuations resulting from this programme reflect an economic value in keeping with market consensus. The parameters of the model are adjusted to reflect this loss in value of 21% compared with the par value. The relinquishing of contractual cash flow relating to existing securities (agreed to in view of Greece's compromised financial position, as part of the participation in the private-sector portion of the support package) leads to an equivalent impairment, namely - 21% compared with their par value.</p>
Natixis	<p>Natixis will take part in the exchange of Greek sovereign debt maturing before the end of 2020. Impairment of €15 million for Natixis representing 21% haircut on the nominal value exposure on the life insurance portfolio, net of policyholders' participation, maturing before the end of 2020.</p>
Societe Generale	<p>The Group's Greek government bonds held as AFS were valued then written down on the basis of a 21% discount on their nominal value. The discount was determined on the basis of the estimated value of the new bonds that will be received through the exchange, using a normalised yield curve. The expected 9% yield used for this valuation is consistent with market yields on maturities similar to the new 30-year Greek bonds, after a correction of the yield curve as at June 30, 2011, the current inversion of which is typical of an abnormal market configuration.</p>
UniCredit	<p>UniCredit has positively considered to agree to the IIF proposal and has therefore deemed that the application of a fundamental value based on the conditions provided for by the above-mentioned proposal would have been the most appropriate one for valuing the Greek Government securities as of 30 June 2011, both in the available-for-sale and held-to-maturity portfolios, in light of the current lack of liquidity of Greece's instruments. In particular, this proposal provides for the swap of held securities with new securities bearing different characteristics, which estimated initial value will cause a loss of 21% calculated by discounting estimated cash flows at a rate of 9%, defined as "normalized" in the IIF document, on the grounds of the expectation that the international community will accept the program. The fundamental value was therefore determined, with reference to the instruments included in UniCredit's available-for-sale and held-to-maturity portfolios, by discounting the estimated cash flows at the interest rate of those assets, and is therefore classified in fair-value Level 3 as indicated above, in accordance with IAS/IFRS.</p>

Source: Company reports. Note: We have shortened company commentary in some cases. ¹ All AFS Greek debt reclassified to L&R at 30 June 2011.

IASB objections to 21% AFS writedowns

The IASB Chairman's letter to ESMA addresses the impairment of Greek government bonds classified as AFS. Mr Hoogervorst wrote:

Market prices should be used unless there is evidence these do not represent fair value

"Although the level of trading activity in Greek government bonds has decreased, transactions are still taking place. IAS 39 is clear that unless there is evidence that the prices in those transactions do not represent fair value...the observed transactions prices should be used to measure fair value". In addition, the goal of fair value measurement, "whether using an observed market price or a valuation model...is to arrive at a current market price".

In other words, the IASB Chairman appears sceptical of arguments that Greek government bonds could not be marked to market. The letter concludes:

"It would therefore not be in accordance with either the requirements in, or the intent of, IAS 39 to measure a loss on government bonds classified as AFS financial assets solely by assessing the present value of the future cash flows arising from a proposed restructure of those bonds. It is hard to imagine that there are buyers willing to buy those bonds at the prices indicated by the valuation models being used. In my view it is therefore difficult to justify that those models would meet the objective of a fair value measurement".

IASB Chairman sceptical of 21% writedown from level 3 valuation

This suggests that the IASB Chairman does not believe that the use of a 21% model based writedown to AFS Greek government bond holdings at 30 June 2011 was appropriate. However, it is important to note that the IASB does not have any ability to enforce the application of IFRS rules, although we assume that ESMA will investigate. In practice the enforcement of IFRS rules is generally left to national regulators, and we assume that the major audit firms will have consulted with regulators before Q2 reports were finalised.

HTM/L&R

HTM/L&R accounting not based on market values

The calculation of impairment for debt classified Held to Maturity (HTM) or Loans & Receivables (L&R) is not based on market values. The amount of the impairment is the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate (EIR). If a bond has been reclassified between accounting categories, the relevant EIR is that derived from the fair value at the date of reclassification. For assets previously reclassified from AFS to HTM/L&R, the minimum impairment is any unrealised loss at the date of reclassification. We explained HTM/L&R impairments in more detail in our 26 May and 8 July reports⁹.

In addition, companies with HTM/L&R Greek government debt qualifying for the IIF exchange will have had to consider whether the exchange would trigger derecognition rules, which would crystallise a loss as if the bond had been sold for proceeds equal to the fair value of the new instruments received in the exchange.

HTM writedowns based on PV calculation or using IIF 21% figure

Many banks and insurers did not have any Greek government debt in HTM or L&R categories. However those that did generally took one of two approaches to HTM/L&R impairments:

⁹ See *The Standards: Sovereign Debt Questions - Accounting for Government Debt Restructuring or Rescheduling*, dated 26 May 2011 and *The Standards: Sovereign Debt Update - French plan for Greek debt may not solve accounting problem*, dated 8 July 2011.

- Writedown based on present value of estimated future cash flows discounted at original (or transfer date) EIR, or
- 21% writedown on nominal value based on IIF proposal

The Greek banks, which have significant HTM/L&R holdings, generally stated that they quantified the impairment using the present value of the future cash flows discounted at the original (or transfer date) EIR. Marfin specifically indicated that the IIF exchange would not constitute a derecognition event¹⁰ while Piraeus specified that the exchange would only constitute derecognition in “isolated cases”, for which a model based fair value would be used. Many of these Greek bank holdings had been reclassified into L&R/HTM in April 2010. The level of writedowns of HTM/L&R assets varied from 13% to 44% (Figure 5).

Figure 5. HTM/L&R Greek sovereign debt impairment rates*, Q2 2011

Company	Country	Auditor	Impairment measurement	Curr	HTM/L&R impaired	HTM impairment	HTM/L&R impairment %
Alpha Bank	Greece	KPMG	Not disclosed	EUR	2,931	596	20%
Bank of Cyprus	Cyprus	E&Y	PV using EIR**	EUR	650	120	18%
Commerzbank ¹	Germany	PwC	21% model	EUR	2,726	565	21%
Dexia	Belgium	Deloitte	21% model	EUR	172	36	21%
Eurobank EFG	Greece	PwC	PV using EIR**	EUR	5,164	820	16%
Intesa Sanpaolo	Italy	E&Y	21% model	EUR	45	12	27%
KBC ²	Belgium	E&Y	21% model	EUR	109	17	16%
Marfin	Cyprus	PwC / Grant Thornton	PV using EIR**	EUR	517	94	18%
Monte dei Paschi	Italy	KPMG	Not disclosed	EUR	17	7	44%
NBG	Greece	Deloitte	PV using EIR**	EUR	8,911	1,303	15%
Piraeus	Greece	PwC	PV using EIR**	EUR	6,488	840	13%
Societe Generale	France	E&Y / Deloitte	21% model	EUR	45	9	20%
UniCredit	Italy	KPMG	21% model	EUR	214	50	24%
Total					27,989	4,470	16%

Source: Company Reports. *All impairments calculated as % of amortised cost, not nominal amount. **Present value of future cash flows using original EIR. ¹ L&R mostly reclassified in 2008 and 2009. ² HTM/L&R holding of €109m Citi calculation. Disclosure of Greek exposure €0.1bn HTM (post impairment) and €0.04bn of total exposure matures post 2020. €0.04bn attributed pro-rata between classifications.

Several banks used a 21% writedown for HTM/L&R holdings, such as Commerzbank, Dexia, Intesa Sanpaolo, KBC, Societe Generale, and UniCredit. The exact reasoning for this calculation is slightly unclear to us. However it could be that these banks believed that the proposed bond exchange would constitute a derecognition event and the 21% writedown corresponded to the best estimate of fair value of the new instruments. This would be consistent with using the 21% writedown for AFS instruments. Alternatively the companies could have calculated that the 21% writedown was consistent with the present value of the cash flows discounted at the original EIR, but this seems unlikely as we expect in most cases the EIR would not be the same as the 9% discount rate used by the IIF.

Intesa Sanpaolo noted the use of a 9% discount rate was based on an assessment of the rate which will prevail post the IIF exchange, noting that 9% was a discount rate “the Greek debt could reach, also as a result of the newly-approved aid.” KBC stated that a 21% discount was “considered to be a best estimate of the recoverable

¹⁰ “The Group has determined that the terms and conditions of certain options under the plan proposed by the IIF...is a continuation of the existing lender borrower relationship with revised terms that do not significantly alter the nature of the holding of the Group and there is no expiration of the contractual rights to the cash flows from the existing bonds. Therefore, this exchange would be considered as a modification of the existing bonds at the date of exchange and the impairment test was performed on the basis of this assumption.”

amount (in line with the IIF proposal)"¹¹. Companies' explanations of the 21% writedown used for HTM/L&R assets are provided in Figure 6.

Figure 6. Company explanations of use of 21% as basis of HTM/L&R impairment

The explanations of those companies applying 21% to both AFS and HTM/L&R debt are only included in Figure 4

Company	Explanation of 21% impairment on nominal amount
Commerzbank	According to calculations by the IIF (Institute of International Finance), the agreed bond swap will lead to write-down of 21 % on instruments due to mature by 2020. We think that a similar level of impairment is appropriate for longer-dated paper (after 2020; 96% of the bank's Greek government bonds).
Intesa Sanpaolo	Four private sector intervention options were envisaged, which are estimated, in NPV terms, to generate a 21% loss, assuming a discount rate of 9% which the Greek debt could reach, also as a result of the newly-approved aid. The plan therefore involves huge and detailed support actions, the actual effects of which on the Greek solvency position cannot yet be fully assessed, given the recent definition of the form of support and current lack of technical information on how the exchange/roll-over options which involve private institutional investors will actually be finalised. As the debt refers to a sovereign entity and given that protection mechanisms have been put into place by supranational bodies for this type of debt, in preparing this half-yearly report impairment losses were recognised only for the government securities maturing by 2020, for which the conditions for private institutional investor participation under the terms of the aforementioned agreement have been taken into account. An impairment loss has therefore been recognised, measured in reference to the aforementioned NPV for securities classified under the Loans and receivables caption.
KBC	This assessment is considered to be a best estimate of the recoverable amount (in line with the IIF proposal).

Source: Company reports. We have shortened company commentary in some cases.

General level of writedowns

German and UK companies generally more conservative than most other European peers

It seems that German and UK companies were generally most conservative in their approach, with all bonds impaired and AFS bonds marked to market. This resulted in some high impairment rates such as HSBC with a write down of 51%, RBS 50%, Munich Re 46% and Allianz 45% (all as percentage of total Greek government bonds), as shown in Figure 2 on page 5.

Most other companies excluded the long maturity (post 2020) bonds from impairments, reducing substantially the amount of total impairments. Longer maturity Greek bonds traded at bigger discounts than shorter maturity bonds, ie impairments charges based on market prices would generally be higher for the post 2020 maturities than for shorter dated bonds.

French companies had relatively low impairment rates

French companies generally applied the 21% haircut proposed by the IIF to both AFS and HTM / L&R exposures, as well as only impairing bonds included in the IIF proposal. This resulted in impairment rates below 20% when compared to total Greek bond portfolios eg BNP Paribas total haircut was only 12% and Natixis 15%. The Belgian bank Dexia, which followed the same approach and had significant Greek exposure, had a notably low 9% impairment (57% of Dexia's Greek sovereign bonds mature in 2021 and beyond and were not impaired).

The approach of Italian companies varied, from Generali recording impairment of 34%, to Intesa Sanpaolo at 6%. Spanish and Portuguese companies are notable by their absence from our tables, with no impairments announced by banks in either country. Minimal disclosure of exposure was also provided, but this may be at least partially the result of relatively immaterial Greek exposures.

Greek banks benefitted from HTM/L&R accounting and by excluding post 2020 maturities from impairment

As expected, the Greek banks generally took low overall impairments due to their exposure mainly being classified in HTM/L&R, and due to only impairing bonds to 2020.

¹¹ We note the "recoverable amount" is relevant to impairment assessments for other assets, but is not applied in IAS 39 in relation to HTM/L&R assets

Disclosure

Our report on 8 July discussed our hope that changes to interim reporting rules, combined with a clear market need for transparent data, would result in greater disclosure of sovereign debt exposures in interim reports. Overall, we have seen an improvement in disclosures when compared to 2010 annual reports, with many more companies now splitting exposures by accounting classification and maturity. However, disclosures of the fair value of HTM and L&R debt (as well as of the AFS reserve) are omitted in many cases, which are important for investors seeking to look through reported figures and mark sovereign exposures to market.

Disclosures do not allow investors to calculate accurate comparable write down figures

In addition, the use of level 3 valuations for AFS holdings means that the level 1 valuations have generally not been disclosed (with the exception of UniCredit providing this). Therefore investors are unable to calculate comparable figures for AFS impairments across European banks and insurers.

RBS noted that if the proposed restructuring of Greek government debt announced in July is effected, it could recognise a future write-back of £275m against AFS impairment of £733m. Similarly, KBC noted the potential for a write-back of €37m in the same scenario. However, it is not clear how these numbers have been calculated.

Exposure to other peripheral sovereign debt

No writedowns on other peripheral sovereign debt

Banks and insurers have not taken impairment charges on other peripheral sovereign debt in Q2 2011 reports. Most companies did not provide explanations as to why these other holdings were not impaired. The amount of information provided about these exposures varied considerably, as shown in Appendix 2.

BNP Paribas noted that it transferred all Irish and Portuguese (as well as Greek) sovereign exposures to level 3 at 30 June and also reclassified this debt from AFS to L&R. The reclassification to L&R may reduce impairment charges (vs if these assets had remained in AFS) in the event of a future impairment trigger for Irish or Portuguese debt.

Accounting enforcement and role of auditors

Greek debt accounting has highlighted lack of accounting consistency across Europe

The varying approaches to sovereign debt impairment have highlighted the lack of consistency in the audit and regulation of financial reporting across Europe, despite the application of IFRS by all EU countries. There are several examples of the same audit firms in different countries signing off on different interpretations of IAS 39 as it relates to Greek sovereign debt (see Figure 2). The separate legal structure of these firms in different countries means that such varying interpretations are not unexpected.

While the scope of auditor review is limited on interim reports as compared to annual reports, we would expect a high level of auditor consideration of critical and sensitive judgements such as the impairment of sovereign debt.

No pan-European accounting enforcement

The IASB's letter to ESMA highlights the lack of consistent enforcement of IFRS across Europe. We assume that ESMA will investigate and discuss this issue with national regulators. However, we do not expect this to result in the restatement of any H1 2011 financial reports.

Looking forward, we assume that companies will continue to follow the accounting methods applied in Q2 when they report Q3 2011 results. The proposed Greek bond exchange is expected to take place in Q4 2011 and at present we think it is unclear how companies will value the new bonds for accounting purposes.

Based on the precedent set with Greek sovereign debt, we assume that most companies will not report impairments of other peripheral European sovereign debt, even if market prices of the bonds deteriorate, unless triggered by a specific event (such as a proposed bond exchange, etc).

Appendix 1: Companies not reporting Greek sovereign exposure

A number of companies stated that they have no Greek sovereign exposure in interim reports, and others provided no information on whether they have Greek sovereign exposures. These companies are listed in Figure 7.

Figure 7. Greek sovereign exposure - companies stating no exposure or not disclosing any exposure information

Company	RIC	Country	Notes
Admiral Group	ADML.L	UK	No disclosure
Amlin	AML.L	UK	Stated no exposure
Banco Espirito	BES.LS	Portugal	Stated no exposure
Banco Popular	POP.MC	Spain	No disclosure
Banco Sabadell	SABE.MC	Spain	No disclosure
Banco Santander	SAN.MC	Spain	No disclosure
Banesto	BTO.MC	Spain	No disclosure
Bank of Ireland	BKIR.I	Ireland	Stated no exposure
Bankinter	BKT.MC	Spain	No disclosure
BBVA	BBVA.MC	Spain	No disclosure
Catlin Group	CGL.L	UK	Stated no exposure
Danske Bank	DANSKE.CO	Denmark	Stated no exposure
DNB NOR	DNBNOR.OL	Norway	Stated no exposure
Hannover Re	HNRGN.DE	Germany	Stated no exposure
Hiscox	HSX.L	Bermuda	Stated no exposure
Lloyds Banking Group	LLOY.L	UK	Stated no exposure
Nordea	NDA1V.HE	Finland	Stated no exposure
Prudential	PRU.L	UK	Stated no exposure
Raiffeisen	RBIV.VI	Austria	Stated no exposure
Resolution	RSL.L	UK	Stated no exposure
Sampo	SAMAS.HE	Finland	Stated no exposure
SCOR	SCOR.PA	France	Stated no exposure
Standard Chartered	STAN.L	UK	Stated no exposure
Standard Life	SL.L	UK	Stated no exposure
Svenska Handelsbanken	SHBa.ST	Sweden	Stated no exposure
Swiss Re	SRENH.VX	Switzerland	Stated no exposure
UBI Banca	UBI.MI	Italy	Stated no exposure
Zurich Financial	ZURN.VX	Switzerland	No disclosure

Source: Company reports.

Appendix 2: Sovereign debt exposure data

The volume, quality and clarity of disclosures around sovereign debt exposure varied significantly across both banks and insurers in interim reports. In part this is due to the varying materiality of sovereign debt to companies, but we do not think the inconsistency of reporting is helpful to investors. We reviewed the interim reports of European banks and insurers covered by CIRA, as well as selected other companies where exposure is material. Our analysis does not include ATEbank or TT Hellenic Postbank which announced delays in publishing interim results until up to 15 September.

The varied nature of company disclosures has resulted in the use of a large number of footnotes to explain the detail of each company's exposure. As a result, we advise that it is not possible to directly compare exposure levels as set out in Figure 10 to Figure 16 below without reviewing the accompanying footnotes as well as the company reports from which the data were obtained.

There are a number of companies which reported no exposure to sovereign debt of Greece, Ireland, Italy, Portugal, or Spain. These are listed in Figure 8. A number of companies did not mention sovereign debt exposures in interim reports, and these are listed in Figure 9, along with total peripheral sovereign debt exposure as reported in CEBS stress tests as at 31 December 2010.

Figure 8. Companies disclosing no exposure to peripheral sovereign debt

Company	Country	Company	Country
Catlin	UK	Sampo	Finland
DNB NOR*	Norway	SCOR	France
Hiscox	Bermuda	Standard Chartered	UK
Nordea	Finland	Svenska Handelsbanken	Sweden

Source: Company reports, CIRA. *DNB NOR disclosed zero exposure as at 31 December 2010 in CEBS data. The company noted that no investments in peripheral sovereign debt were made during H1 2011.

Figure 9. Companies not disclosing exposure to peripheral sovereign debt

Company	RIC	Country	Curr	Reported book equity 1H11	Total peripheral exposure per CEBS*	Greek exposure per CEBS*
Admiral Group ¹	ADML.L	UK	GBP	392	n/a ¹	n/a ¹
Banco Popular	POP.MC	Spain	EUR	8,557	9,727	0
Banco Sabadell	SABE.MC	Spain	EUR	5,958	7,425	0
Banco Santander	SAN.MC	Spain	EUR	79,663	45,877	177
Banesto ²	BTO.MC	Spain	EUR	5,632	n/a ²	n/a ²
Bankinter	BKT.MC	Spain	EUR	3,055	2,533	0
BBVA	BBVA.MC	Spain	EUR	37,643	58,123	127

Source: Company reports, CIRA. *Net cash exposure as at 31 December 2010 per CEBS stress test data.

¹ Insurers did not participate in CEBS stress tests. ² Banesto did not participate in CEBS stress tests as majority owned by Santander.

Figure 10 summarises the disclosures by companies who provided minimal information (in several cases due to the fact that exposure is not significant). Figure 11 to Figure 14 summarise the disclosures made by those European banks that provided information. Figure 15 and Figure 16 summarise the information provided by insurers.

Figure 10. Summary of brief sovereign debt disclosures

Company	RIC	Curr	Reported book equity 1H11 (m)	Disclosure
Amlin	AML.L	GBP	1,475	Holds £13m of Spanish sovereign debt securities as FV through P&L
Banco Espirito	BES.LS	EUR	6,987	€3.3bn of exposure to Portugal, €3bn of which has maturity less than one year. €10m exposure to Spain.
BP Milano	PMIL.MI	EUR	3,935	€5,983m exposure to Italy: €151m FV, €5,832m AFS (with €87m AFS reserve). €10m FV exposure to Spain.
Lloyds Banking Group	LLOY.L	GBP	45,546	£35m exposure to Italy, £67m to Spain. Derivatives with sovereigns and sovereign referenced CDS immaterial.
Prudential	PRU.L	GBP	8,547	Exposure to Italy of £52m and Spain of £1m (carrying value)
Resolution	RSL.L	GBP	6,418	£8m of exposure to Italy (carrying value)
Standard Life	SL.L	GBP	4,337	£2m exposure to Italy and £1m exposure to Spain (carrying value)
Swiss Re	SRENH.VX	USD	24,818	Total of \$78m peripheral sovereign exposure (carrying value), no exposure to Greece
Zurich Financial ¹	ZURN.VX	USD	32,662	\$28bn Eurozone government and supranational bonds, of which 29% Italy, 19% Spain, 2% Portugal, 2% Ireland.

Source: Company reports

The data on banks presents the carrying value of exposures across the accounting categories. FV refers to assets held Fair Value through Profit or Loss. Negative AFS reserves are losses which held in equity and have not impacted the P&L, and are gross of (deferred) tax. Total exposure excludes derivatives as derivative exposures were not frequently disclosed.

The insurers data includes total exposures and the portion of this held AFS. Gross unrealised losses refer to losses before policyholder participation and tax, as discussed on page 4. Net unrealised losses are net of both policyholder participation and tax.

Figure 11. Summary of banks sovereign debt exposure disclosures (m), H1 2011 (part 1)

Bank	RIC	Curr	Reported book equity 1H11	Country	Total ex Derivatives	FV	AFS	Negative AFS Reserve	HTM (Book)	L&R (Book)	Derivative FV (Net)
Allied Irish Bank				Greece	nd	nd	30	nd	nd	nd	nd
				Ireland	nd	nd	3,405	1,039	nd	nd	nd
				Italy	nd	nd	212	nd	nd	nd	nd
				Portugal	nd	nd	99	nd	nd	nd	nd
				Spain	nd	nd	0	nd	nd	nd	nd
Allied Irish Bank Total	ALBK.I	EUR	6,861 Total		nd	nd	3,746	nd	nd	nd	nd
Alpha Bank ¹				Greece	6,140	8	2,734	28	3,397	0	115
				Ireland	0	0	0	0	0	0	0
				Italy	nd	nd	nd	nd	nd	nd	nd
				Portugal	0	0	0	0	0	0	0
				Spain	16	0	0	0	0	0	0
Alpha Bank	ACBr.AT	EUR	5,273 Total		nd	nd	nd	nd	nd	nd	nd
Banco BPI ²				Greece	420	0	265	284	155	0	nd
				Ireland	236	0	236	125	0	0	nd
				Italy	nd	nd	nd	nd	nd	nd	nd
				Portugal	2,361	121	2,038	802	101	101	nd
				Spain	nd	nd	nd	nd	nd	nd	nd
Banco BPI Total	BBPI.LS	EUR	1,588 Total		nd	nd	nd	nd	nd	nd	nd
Banco Popolare ³				Greece	60	45	15	0	0	0	nd
				Ireland	0	0	0	0	0	0	nd
				Italy	11,374	4,408	6,873	nd	93	0	nd
				Portugal	0	0	0	0	0	0	nd
				Spain	199	0	199	nd	0	0	nd
Banco Popolare Total	BAPO.MI	EUR	12,100 Total		11,633	4,453	7,087	nd	93	0	nd
Bank of Cyprus ⁴				Greece	1,934	3	239	86	205	1,489	nd
				Ireland	328	0	0	0	328	0	nd
				Italy	nd	nd	nd	nd	nd	nd	nd
				Portugal	0	0	0	0	0	0	0
				Spain	nd	nd	nd	nd	nd	nd	nd
Bank of Cyprus Total	BOCr.AT	EUR	3,688 Total		nd	nd	nd	nd	nd	nd	nd
Bank of Ireland ⁵				Ireland	3,649	441	3,208	664	0	0	0
				Italy	29	nd	nd	nd	nd	nd	nd
Bank of Ireland Total	BKIR.I	EUR	6,574 Total		3,678	nd	nd	nd	nd	nd	nd
Barclays ⁶				Greece	69	55	14	0	0	0	0
				Ireland	331	148	183	48	0	0	0
				Italy	4,951	2,265	2,686	47	0	0	492
				Portugal	841	23	792	166	0	26	129
				Spain	4,800	48	4,713	153	0	39	0
Barclays Total	BARC.L	GBP	61,989 Total		10,992	2,539	8,388	414	0	65	621
BCP ⁷				Greece	775	20	29	1	720	7	-79
				Ireland	208	0	0	0	208	0	-11
				Italy	nd	nd	nd	nd	nd	nd	nd
				Portugal	8,369	2,573	1,276	114	2,219	2,301	0
				Spain	nd	nd	nd	nd	nd	nd	nd
BCP Total	BCP.LS	EUR	7,367 Total		nd	nd	nd	nd	nd	nd	nd

Source: Company reports. Note: nd = not disclosed. ¹ Alpha: Spanish State bond of €15.8m held at 30/06/11 repaid on schedule after maturity on 30/07/11. Off balance sheet exposure to Greek bonds accepted as guarantee for funding of €58,676k (nominal value) and €49,952k (fair value). Post 2020 AFS bonds €2,037m amortised cost and €2,009m FV. Post 2020 HTM bonds €1,062m cost and book value. €940m of exposure is Greek state preference shares. ² Banco BPI: Includes insurance exposure. FV of HTM debt: Greece €113m, Portugal €97m. FV of L&R debt: Portugal €90m. ³ Banco Popolare: All Greek debt matures before 2020. ⁴ Bank of Cyprus: Includes loans to the Greek state of €305m (book value and FV). Bank of Cyprus has €286m deposits with Bank of Greece not included in table. FV of HTM debt: Greece €141m, Ireland €253m. FV of L&R debt: Greece €1,055m. Negative AFS reserve relates to bonds reclassified from AFS. ⁵ Bank of Ireland: €nil exposure to Greece, Portugal, or Spain. €441m FVTPL held by Bol Life (nominal €625m). ⁶ Barclays: Derivative exposures net of collateral held. £14m Greek AFS position held with no AFS reserve in connection with a customer insurance product. ⁷ BCP: FV of HTM debt: Greece €471m, Ireland €161m, Portugal €1,743m.

Figure 12. Summary of banks sovereign debt exposure disclosures (m), H1 2011 (part 2)

Bank	RIC	Curr	Reported book equity 1H11	Country	Total ex Derivatives	FV	AFS	Negative AFS Reserve	HTM (Book)	L&R (Book)	Derivative FV (Net)
BNP Paribas ¹				Greece	3,501	150	0	822	200	3,151	114
				Ireland	1,428	-86	0	358	329	1,185	71
				Italy	22,739	1,752	20,987	nd	nd	nd	nd
				Portugal	2,237	239	0	581	160	1,838	74
				Spain	2,518	-308	2,826	nd	nd	nd	nd
BNP Paribas Total	BNPP.PA	EUR	86,676 Total		32,423	1,747	23,813	nd	nd	nd	nd
Commerzbank ²				Greece	2,348	nd	186	0	0	2,162	nd
				Ireland	0	nd	nd	nd	nd	nd	nd
				Italy	8,700	nd	nd	nd	nd	nd	nd
				Portugal	900	nd	nd	nd	nd	nd	nd
				Spain	2,900	nd	nd	nd	nd	nd	nd
Commerzbank Total	CBKG.DE	EUR	26,431 Total		14,848	nd	nd	nd	nd	nd	nd
Credit Agricole ³				Greece	5,300	51	5,249	118	0	0	nd
				Ireland	1,564	0	1,564	nd	0	0	nd
				Italy	1,730	885	645	nd	0	200	nd
				Portugal	9,815	169	9,646	nd	0	0	nd
				Spain	1,624	29	1,500	nd	0	95	nd
Credit Agricole Total	CAGR.PA	EUR	53,342 Total		20,033	1,134	18,604	nd	0	295	nd
Credit Suisse ⁴				Greece	100	nd	nd	nd	nd	nd	nd
				Ireland	0	nd	nd	nd	nd	nd	nd
				Italy	2,300	nd	nd	nd	nd	nd	nd
				Portugal	200	nd	nd	nd	nd	nd	nd
				Spain	0	nd	nd	nd	nd	nd	nd
Credit Suisse Total	CSGN.VX	EUR	40,307 Total		2,600	nd	nd	nd	nd	nd	nd
Danske Bank ⁵				Greece	0	0	0	0	0	0	0
				Ireland	2,932	1,080	nd	nd	1,852	nd	nd
				Italy	nd	nd	nd	nd	nd	nd	nd
				Portugal	nd	nd	nd	nd	nd	nd	nd
				Spain	nd	nd	nd	nd	nd	nd	nd
Danske Bank Total	DANSKE.CO	DKK	127,032 Total		nd	10,000	nd	nd	1,900	nd	nd
Deutsche Bank ⁶				Greece	1,052	296	735	0	0	21	-117
				Ireland	335	142	186	27	0	0	-41
				Italy	-1,578	-4,886	719	14	0	641	2,009
				Portugal	258	103	39	10	0	0	94
				Spain	722	-275	196	-2	0	777	3
Deutsche Bank Total	DBKGn.DE	EUR	51,678 Total		789	-4,620	1,875	49	0	1,439	1,948
Dexia ⁷				Greece	3,785	1	3,648	1,229	136	0	nd
				Ireland	359	0	359	76	0	0	nd
				Italy	13,387	18	10,412	1,146	29	2,928	nd
				Portugal	2,069	0	2,025	384	0	44	nd
				Spain	1,372	6	1,135	183	0	231	nd
Dexia Total	DEXI.BR	EUR	6,945 Total		20,972	25	17,579	3,018	165	3,203	nd

Source: Company reports. Note: nd = not disclosed. ¹ BNP Paribas: Net credit risk position in securities and derivatives included in FV category. BNP reclassified all AFS Greek, Irish and Portuguese debt to L&R at 30 June 2011. Negative AFS reserves refer to reclassified debt. All Greek, Irish and Portuguese exposures (inc FVTPL) transferred to level 3. BNP disclosed risk exposure to Greece under L&R of €3,973m (post impairment), to Ireland of €1,543m, and to Portugal of €2,419m. Post 2020 Greek risk exposure is €1,987m and carrying value (FVs based on level 3) is €1,165m. CEBS data suggests €nil L&R exposure at 31/12/10 meaning that all L&R exposure at 30/06/11 is from the reclassification at 30/06/11 at the carrying amount. Disclosure for Italy and Spain of trading book (included in FV column) and banking book (AFS column) ² Commerzbank: 96% of Greek bond exposure post 2020. Other country figures on Exposure at Default (EaD) basis, excluding exposures of ABF Shipping. ³ Credit Agricole: Pre 2020 Greece AFS exposure is €2,779m. Gross (carrying value) insurance exposure included in AFS figures. Greek debt pre and post 2020 valued at level 3 (excluding short term FV debt). ⁴ Credit Suisse: Gross exposure by country including derivatives included in table. Net of CDS and collateral, exposure is only to Italy (€400m). ⁵ Danske: In credit exposure relating to lending activities (included HTM column), Danske noted DKKnil exposure to Greece, and DKK1.9bn exposure to Ireland, Portugal, Italy, and Spain. In relation to trading activities (included FV column), total gross exposure to these countries was DKK10bn and net DKK3.4bn. ⁶ Deutsche: Assets acquired via Postbank acquisition recognised at FV on acquisition date (3 December 2010). Short position for Italy predominantly related to structured trades with corresponding credit derivatives offset. Derivatives include positions with sovereign counterparties (net of collateral) and CDS referencing sovereign debt. ⁷ Dexia: Moved Portuguese and Irish bonds to level 2 valuation due to illiquidity.

Figure 13. Summary of banks sovereign debt exposure disclosures (m), H1 2011 (part 3)

Bank	RIC	Curr	Reported book equity 1H11	Country	Total ex Derivatives	FV	AFS	Negative AFS Reserve	HTM (Book)	L&R (Book)	Derivative FV (Net)
Erste Bank ¹				Greece	405	75	1	nd	329	nd	nd
				Ireland	91	0	0	nd	91	nd	nd
				Italy	699	367	30	nd	302	nd	nd
				Portugal	125	-29	0	nd	154	nd	nd
				Spain	64	-29	30	nd	64	nd	nd
Erste Bank Total	ERST.VI	EUR	17,523 Total		1,384	384	61	nd	939	nd	nd
Eurobank EFG ²				Greece	9,839	0	93	nd	806	8,940	nd
Eurobank EFG Total	EFGGr.AT	EUR	5,495 Total		nd	nd	nd	nd	nd	nd	nd
HSBC ³				Greece	800	700	100	0	0	0	300
				Ireland	300	200	100	nd	0	0	100
				Italy	4,600	3,000	1,500	nd	100	nd	0
				Portugal	500	400	100	nd	0	0	0
				Spain	1,300	300	1,000	nd	0	0	200
HSBC Total	HSBA.L	USD	167,537 Total		7,500	4,600	2,800	nd	100	nd	600
Intesa Sanpaolo ⁴				Greece	559	16	317	324	0	226	nd
				Ireland	186	0	186	nd	0	0	nd
				Italy	86,523	12,716	43,829	nd	939	29,039	nd
				Portugal	70	1	44	nd	0	25	nd
				Spain	1,485	105	334	nd	0	1,046	nd
Intesa Sanpaolo Total	ISP.MI	EUR	59,973 Total		88,823	12,838	44,710	nd	939	30,336	nd
KBC ⁵				Greece	500	100	300	23	100	0	nd
				Ireland	400	nd	400	42	nd	0	nd
				Italy	6,200	100	6,100	20	nd	0	nd
				Portugal	300	nd	300	22	nd	0	nd
				Spain	2,200	nd	2,200	71	nd	0	nd
KBC Total	KBC.BR	EUR	18,674 Total		9,600	nd	9,300	178	nd	0	nd
Marfin ⁶				Greece	2,954	nd	313	0	103	2,537	nd
Marfin Total	MRBr.AT	EUR	4,056 Total		nd	nd	nd	nd	nd	nd	nd
Monte de Paschi				Greece	10	0	0	0	0	10	2
				Ireland	0	0	0	0	0	0	11
				Italy	26,770	5,635	20,940	nd	0	196	-7
				Portugal	168	0	168	nd	0	0	46
				Spain	220	0	220	nd	0	0	17
Monte de Paschi Total	BMPS.MI	EUR	17,244 Total		27,168	5,635	21,328	nd	0	206	67
Natixis ⁷				Greece	182	80	102	nd	0	0	101
				Ireland	0	0	0	nd	0	0	32
				Italy	1,421	1,408	10	nd	0	3	21
				Portugal	105	104	1	nd	0	0	31
				Spain	980	976	2	nd	0	2	22
Natixis Total	CNAT.PA	EUR	21,300 Total		2,688	2,568	115	nd	0	5	207
NBG ⁸				Greece	14,204	456	2,349	nd	3,263	8,136	nd
NBG Total	NBGr.AT	EUR	9,009 Total		nd	nd	nd	nd	nd	nd	nd
Piraeus ⁹				Greece	9,156	291	2,175	nd	4,851	1,839	nd
Piraeus Total	BOPr.AT	EUR	3,304 Total		nd	nd	nd	nd	nd	nd	nd

Source: Company reports. Note: nd = not disclosed. ¹ Erste: Disclosed "at amortised cost" - included in HTM category. ² Eurobank EFG: Did not disclose exposure to peripheral countries aside from Greece. Exposure includes €940m Greek state preference shares. ³ HSBC: Did not disclose the split between HTM and L&R - included in HTM column. Of total AFS, 43% matures within one year, 27% within 1-3 years, and 30% in excess. Derivatives net of collateral and offsetting and include CDS. ⁴ AFS reserve includes €12m from assets classified L&R. Does not state why but likely the result of a reclassification. Reserve net of insurance portfolio attribution. ⁵ KBC: Greek negative AFS reserve of €23m relates to bonds maturing after 2020. AFS column for Ireland, Italy, Portugal and Spain includes AFS, HTM and FV designated bonds. ⁶ Marfin: Did not disclose exposure to peripheral countries aside from Greece. Marfin had only €39m exposure to Ireland amongst peripheral sovereigns per CEBS stress tests. ⁷ Natixis: Insurance Greek exposure of €102m (net of policyholder participation) included in AFS. ⁸ NBG: Did not disclose exposure to peripheral countries aside from Greece. ⁹ Piraeus: Did not disclose exposure to peripheral countries aside from Greece. Exposure includes €370m Greek state preference shares.

Figure 14. Summary of banks sovereign debt exposure disclosures (m), H1 2011 (part 4)

Bank	RIC	Curr	Reported book equity 1H11	Country	Total ex Derivatives	FV	AFS	Negative AFS Reserve	HTM (Book)	L&R (Book)	Derivative FV (Net)
Raiffeisen ¹				Greece	0	0	0	0	0	0	nd
				Ireland	0	0	0	0	0	0	nd
				Italy	474	117	nd	nd	357	0	nd
				Portugal	2	0	nd	nd	2	0	nd
				Spain	5	0	nd	nd	5	0	nd
Raiffeisen Total	RBIV.VI	EUR	10,483 Total		481	117	nd	nd	364	0	nd
RBS ²				Greece	991	248	733	0	0	10	62
				Ireland	190	44	93	57	0	53	1
				Italy	2,795	1,833	955	90	0	7	107
				Portugal	83	-33	71	48	0	45	15
				Spain	-886	-997	91	49	0	20	31
RBS Total	RBS.L	GBP	76,242 Total		3,173	1,095	1,943	244	0	135	216
SEB ³				Greece	800	nd	nd	nd	nd	nd	nd
				Ireland	0	nd	nd	nd	nd	nd	nd
				Italy	320	nd	nd	nd	nd	nd	nd
				Portugal	640	nd	nd	nd	nd	nd	nd
				Spain	0	nd	nd	nd	nd	nd	nd
SEB Total	SEBa.ST	SEK	102,821 Total		1,760	nd	nd	nd	nd	nd	nd
Societe Generale ⁴				Greece	1,904	234	1,447	0	36	187	nd
				Ireland	892	96	796	46	0	0	nd
				Italy	nd	nd	nd	nd	nd	nd	nd
				Portugal	756	351	213	9	10	0	nd
				Spain	nd	nd	nd	nd	nd	nd	nd
Societe Generale Total	SOGN.PA	EUR	52,102 Total		nd	nd	nd	nd	nd	nd	nd
Swedbank ⁵				Greece	51	nd	nd	nd	nd	nd	72
				Ireland	0	nd	nd	nd	nd	nd	14
				Italy	564	nd	nd	nd	nd	330	437
				Portugal	27	nd	nd	nd	nd	nd	0
				Spain	313	nd	nd	nd	nd	303	196
Swedbank Total	SWEDa.ST	SEK	96,058 Total		955	nd	nd	nd	nd	nd	719
UBI Banca				Greece	0	0	0	0	0	0	nd
				Ireland	0	0	0	0	0	0	nd
				Italy	9,234	451	7,789	nd	0	994	nd
				Portugal	0	0	0	0	0	0	nd
				Spain	118	3	0	0	0	116	nd
UBI Banca Total	UBI.MI	EUR	13,016 Total		9,353	453	7,789	0	0	1,110	nd
UBS ⁶				Greece	116	nd	nd	nd	nd	nd	nd
				Ireland	4	nd	nd	nd	nd	nd	nd
				Italy	3,192	nd	nd	nd	nd	nd	nd
				Portugal	53	nd	nd	nd	nd	nd	nd
				Spain	205	nd	nd	nd	nd	nd	nd
UBS Total	UBSN.VX	CHF	51,640 Total		3,570	nd	nd	nd	nd	nd	nd
UniCredit ⁷				Greece	404	24	217	0	163	0	nd
				Ireland	50	nd	nd	nd	nd	nd	nd
				Italy	38,664	12,521	22,636	nd	3,506	1	nd
				Portugal	56	nd	nd	nd	nd	nd	nd
				Spain	1,881	378	1,466	nd	37	0	nd
UniCredit Total	CRDI.MI	EUR	68,123 Total		41,055	nd	nd	nd	nd	nd	nd

Source: Company reports. Note: nd = not disclosed. ¹ Raiffeisen disclosed trading book (in FV column) and banking book (HTM column). ² RBS: AFS and L&R debt securities combined by RBS - included in AFS column. RBS category "lending" assumed to be L&R. Derivatives include net CDS exposure. ³ SEB: Disclosed total nominal exposure to peripheral countries of SEK16bn, 11% (SEK1.76bn) of which is to central and local governments. No accounting classifications given. ⁴ Societe Generale: Gross insurance exposure (Greece €30m gross €1m net, Ireland €496m gross €26m net, Portugal €195m gross €13m net) included within AFS. FV of HTM debt: Greece: €36m, Portugal €8m. ⁵ Swedbank: Actual market values of HTM assets are below carrying amounts by SEK51m (Total HTM exposure was SEK186m but it was not disclosed how much of this is sovereign). ⁶ UBS: Gross exposure by country in table. Net exposure equal to gross except Italy (net is €1,312m). Exposure includes central governments, semi-government institutions and central banks. ⁷ UniCredit: Greece exposure on level 3 valuation. FV of HTM and L&R assets. HTM: Italy €3,405m, Spain €37m. L&R: Italy €1m.

Figure 15. Summary of insurers sovereign debt exposure disclosures (m), H1 2011 (part 1)

Insurer	RIC	Curr	Reported book equity 1H11	Country	Total exposure					Of which AFS		
					Cost	Carrying value	Gross unreal. losses	Net unreal. losses	FV	AFS (BS FV)	Gross unreal. losses	Net unreal. losses
AEGON				Greece	4	4	0	nd	4	4	0	nd
				Ireland	32	24	8	nd	24	24	8	nd
				Italy	89	85	4	nd	85	85	4	nd
				Portugal	13	9	4	nd	9	9	4	nd
				Spain	811	745	66	nd	745	745	66	nd
AEGON Total	AEGN.AS	EUR	21,567	Total	949	867	82	nd	867	867	82	nd
Ageas				Greece	1,742	928	492	nd	928	928	492	nd
				Ireland	570	392	179	nd	392	392	179	nd
				Italy	3,572	3,422	150	nd	3,422	3,422	150	nd
				Portugal	758	583	175	nd	583	583	175	nd
				Spain	1,722	1,595	126	nd	1,595	1,595	126	nd
Ageas Total	AGES.BR	EUR	8,904	Total	8,364	6,920	1,122	nd	6,920	6,920	1,122	nd
Allianz				Greece	nd	782	6	4	nd	766	6	nd
				Ireland	nd	646	195	58	nd	602	197	nd
				Italy	nd	nd	nd	nd	nd	29,562	738	nd
				Portugal	nd	780	245	102	nd	778	243	nd
				Spain	nd	5,077	280	72	nd	5,015	284	nd
Allianz Total	ALVG.DE	EUR	44,689	Total	nd	nd	nd	nd	nd	36,723	1,468	nd
Aviva ¹				Greece	nd	nd	0	0	73	0	0	0
				Ireland	nd	nd	0	0	600	0	0	0
				Italy	nd	nd	0	0	7,500	0	0	0
				Portugal	nd	nd	0	0	300	0	0	0
				Spain	nd	nd	0	0	900	0	0	0
Aviva Total	AV.L	GBP	15,205	Total	nd	nd	0	0	9,373	0	0	0
AXA ²				Greece	1,522	766	532	155	766	766	532	155
				Ireland	1,309	889	420	92	889	889	420	92
				Italy	17,600	17,100	500	100	17,100	17,100	500	100
				Portugal	2,237	1,453	784	154	1,453	1,453	784	154
				Spain	11,100	10,200	900	200	10,200	10,200	900	200
AXA Total	AXAF.PA	EUR	46,400	Total	33,768	30,408	3,136	701	30,408	30,408	3,136	701
CNP Assurances ³				Greece	1,865	1,512	353	nd	1,512	nd	nd	nd
				Ireland	3,255	2,187	1,068	nd	2,187	nd	nd	nd
				Italy	15,001	14,859	142	nd	14,859	nd	nd	nd
				Portugal	3,533	2,359	1,174	nd	2,359	nd	nd	nd
				Spain	10,206	9,893	314	nd	9,893	nd	nd	nd
CNP Total	CNPP.PA	EUR	13,027	Total	33,860	30,810	3,049	nd	30,810	nd	nd	nd
Generali ⁴				Greece	2,974	1,539	433	68	1,539	1,539	433	68
				Ireland	1,712	1,134	578	nd	1,134	1,134	578	nd
				Italy	nd	nd	nd	nd	nd	nd	nd	nd
				Portugal	3,290	2,123	1,167	nd	2,123	2,123	1,167	nd
				Spain	nd	nd	nd	nd	nd	nd	nd	nd
Generali Total	GASI.MI	EUR	19,839	Total	nd	nd	nd	nd	nd	nd	nd	nd

Source: Company reports. Note: nd = not disclosed. ¹ Aviva: Total exposure in table. Exposure within shareholder assets £2.8bn (£1m Greece). All assets held FVTPL. ² AXA: Greek bonds split pre 2020 €336m and post 2020 €430m (on AFS FV). Disclosed gross unrealised loss on Greece of €756m pre impairment but did not disclose what gross impairment was. Also disclosed €28m exposure to Greece, Ireland and Portugal classified under FV option. Greek, Irish and Portuguese bonds based on level 2 valuation because of illiquidity. ³ CNP Assurances: Greek bonds valued level 3. Company noted that virtually all sovereign debt securities classified AFS. ⁴ Generali: 28% of total Greek exposure matures post 2020.

Figure 16. Summary of insurers sovereign debt exposure disclosures (m), H1 2011 (part 2)

Insurer	RIC	Curr	Reported book equity 1H11	Country	Total exposure					Of which AFS		
					Cost	Carrying value	Gross unreal. losses	Net unreal. losses	FV	AFS (BS FV)	Gross unreal. losses	Net unreal. losses
Groupama ¹				Greece	3,144	2,075	890	159	2,075	2,075	890	159
				Ireland	84	55	29	nd	55	55	29	nd
				Italy	7,708	7,228	480	nd	7,228	7,228	480	nd
				Portugal	1,217	755	462	nd	755	755	462	nd
				Spain	3,327	2,934	393	nd	2,934	2,934	393	nd
Groupama Total	Not listed	EUR	4,433	Total	15,480	13,047	2,254	nd	13,047	13,047	2,254	nd
Hannover Re				Greece	nd	nd	nd	nd	0	nd	nd	nd
				Ireland	nd	nd	nd	nd	31	nd	nd	nd
				Italy	nd	nd	nd	nd	27	nd	nd	nd
				Portugal	nd	nd	nd	nd	30	nd	nd	nd
				Spain	nd	nd	nd	nd	166	nd	nd	nd
Hannover Re Total	HNRGn.DE	EUR	4,924	Total	nd	nd	nd	nd	254	nd	nd	nd
ING				Greece	1,285	729	246	nd	729	729	246	nd
				Ireland	54	35	19	nd	35	35	19	nd
				Italy	nd	nd	nd	nd	nd	nd	nd	nd
				Portugal	814	578	236	nd	578	578	236	nd
				Spain	nd	nd	nd	nd	nd	nd	nd	nd
ING Total	ING.AS	EUR	44,120	Total	nd	nd	nd	nd	nd	nd	nd	nd
Legal & General				Greece	nd	nd	nd	nd	1	nd	nd	nd
				Ireland	nd	nd	nd	nd	4	nd	nd	nd
				Italy	nd	nd	nd	nd	301	nd	nd	nd
				Portugal	nd	nd	nd	nd	6	nd	nd	nd
				Spain	nd	nd	nd	nd	32	nd	nd	nd
L&G Total	LGEn.L	GBP	5,036	Total	nd	nd	nd	nd	344	nd	nd	nd
Munich Re ²				Greece	1,545	842	0	0	842	811	0	0
				Ireland	nd	nd	nd	nd	nd	nd	nd	nd
				Italy	nd	nd	nd	nd	nd	nd	nd	nd
				Portugal	nd	nd	nd	nd	nd	nd	nd	nd
				Spain	nd	nd	nd	nd	nd	nd	nd	nd
Munich Re Total	MUVGn.DE	EUR	20,308	Total	nd	nd	nd	nd	nd	nd	nd	nd
RSA Insurance ³				Greece	nd	6	nd	nd	nd	nd	nd	nd
				Ireland	nd	64	nd	nd	nd	nd	nd	nd
				Italy	nd	46	nd	nd	nd	nd	nd	nd
				Portugal	nd	0	nd	nd	nd	nd	nd	nd
				Spain	nd	44	nd	nd	nd	nd	nd	nd
RSA Total	RSA.L	GBP	3,983	Total	nd	160	nd	nd	nd	nd	nd	nd

Source: Company reports. Note: nd = not disclosed. ¹ Groupama: Greek bonds valued level 3. Gross Greek debt (FV) split by maturity - <2014 = €162m, 2015 - 2020 €465m. >2010 €1,448m. Net FV also disclosed - Greece €540m, Ireland €13m, Portugal €217m, Spain €671m, Italy €1,542m. ² Munich Re: 1.8% of investment portfolio relates to Portuguese, Irish and Greek sovereigns, and 4.5% are Italian and Spanish sovereigns. Total investment portfolio was €194bn at 30 June. 1.8% is €3.5bn. 4.5% is €8.7bn. Total peripheral sovereign makes up 6.3% or €12.2bn (included in total exposure, FV column). ³ RSA: Spanish exposure reduced by £20m since 30 June. Portuguese exposure implied less than £0.5m as total exposure to peripherals noted as £160m which is sum of total of other countries.

Appendix A-1

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