

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

## AFLAC, Inc. Q4 2008 Earnings Presentation Call Transcript

### Question-and-Answer Session

---

#### Larry Bernstein

Sure, [Larry Bernstein]. During the call this morning you focused on hybrids as an investment. I wanted to discuss one of your non-bank assets. During the call you discussed your investment in a Japanese corporate Takafusi, and 28% of your investment was repurchased during the fourth quarter, which leaves investment of a little over \$400 million.

Takafusi is a subprime unsecured lender in Japan. And their bonds have recently collapsed in the last few weeks. Five year Takafuji CDS traded today at 60 points upfront, plus LIBOR, plus 500. And therefore their senior bonds are now trading at less than \$0.40 and a \$1. Do you think it's appropriate to impair this asset given the markets mean forecast that the company will default on its bond for the next 18 months?

#### Dan Amos

I am going to pull Jerry and Mary together to let them talk about this. And let me make one brief comment. I think it's certainly appropriate to talk about Takafuji, because we raised it on the call this morning. But beyond that, we got a lot of securities in our portfolio. And we really don't want to go through it security-by-security conversation on the credit worthiness of every issue we have. But I think it's a fair question given that what we mentioned this morning. So kind of with that as a background, let me pass this to Jerry and then Mary.

#### Jerry Jeffery

Let me start now, I'll pass the time. But I think first of all, we are well aware of what the pricing action has been at Takafuji. We are clearly setting it and we apply the same impairment methodology at Takafuji we apply to all our securities. For an update on our credit view, I am going to turn it over to Mary and let her comment to the degree that she can. Go ahead.

#### Mary Chapman

Thanks for the question on Takafuji. We have a very strong business relationship with Takafuji, and it was at their request as Ken mentioned and as Dan mentioned as well. That they redeem that, they redeemed it because of the high coupon security for themselves.

We have now 50 billion yen, or actually it's a little higher than what the number you noted in terms of the dollar value of our exposure to them. Of that 40% has very protective covenants, which protect Aflec in terms of their ratings aspects.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.