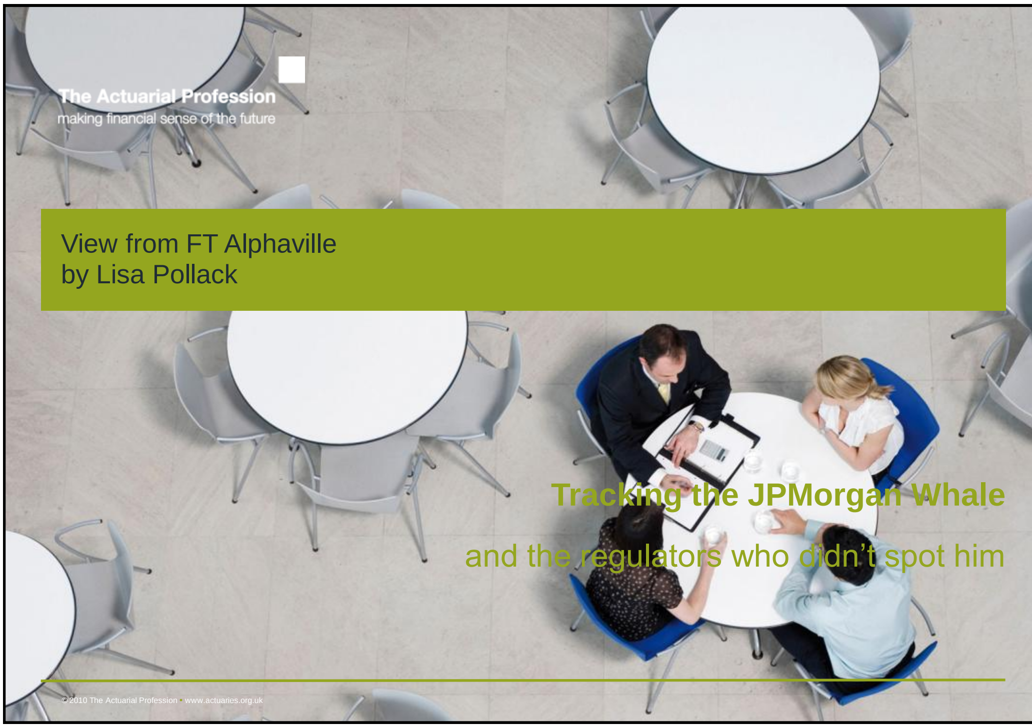


April 6th: Complaining to journalists

- Bloomberg:

Gross notional in the market at the time: $884bn

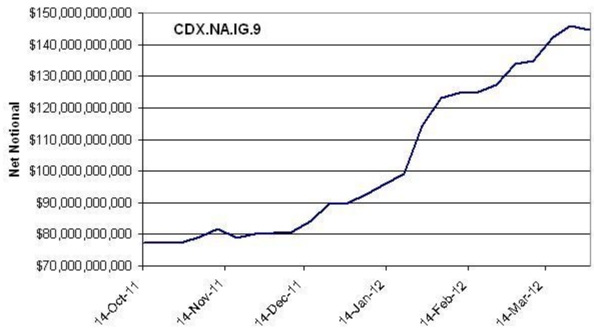
The trader may have built a $100 billion position in contracts on Series 9 of the Markit CDX North America Investment Grade Index, according to the people, who said they based their estimates on the trades and price ***movements they witnessed as well as their understanding*** *of the size and structure of the markets.*

- WSJ:

Minus: WaMu, Fannie, Freddie, and CIT, so a bit more like 121.

Mr. Iksil has turned more upbeat recently. He has been selling protection on an index of ~~125 companies~~ in the form of credit-default swaps. That essentially means he is betting on the improving credit of those companies, which he does through the index—CDX IG 9—tracking these companies.

April 6th:
Looking at the data



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April 10th:
What are they complaining about?

Table A-1: 12-Month Index CDS Notional for All Entities

Notional Bin	Entities	% of Entities	Notional	% of Notional
$0-100 million	285	30.42%	$ 12.56	0.04%
$0.1-1 billion	339	36.18%	$ 124.90	0.37%
$1-2 billion	86	9.18%	$ 123.33	0.36%
$2-3 billion	47	5.02%	$ 118.00	0.35%
$3-4 billion	26	2.77%	$ 89.13	0.26%
$4-5 billion	16	1.71%	$ 74.38	0.22%
$5-6 billion	7	0.75%	$ 38.72	0.11%
$6-7 billion	15	1.60%	$ 98.96	0.29%
$7-8 billion	10	1.07%	$ 76.57	0.22%
$8-9 billion	6	0.64%	$ 52.12	0.15%
$9-10 billion	7	0.75%	$ 68.02	0.20%
$10-25 billion	33	3.52%	$ 489.57	1.43%
$25-50 billion	24	2.56%	$ 822.33	2.40%
$50-75 billion	9	0.96%	$ 548.27	1.60%
$75-100 billion	3	0.32%	$ 259.24	0.76%
$100-500 billion	11	1.17%	$ 1,955.93	5.72%
> $500 billion	13	1.39%	$ 29,246.57	85.52%
Total	937		$ 34,198.60	

Table A-4: 12-Month Index CDS Notional for Entities with Flat Notional Book

Notional Bin	Entities	% of Entities	Notional	% of Notional
$0-100 million	15	13.76%	$ 0.54	0.00%
$0.1-1 billion	32	29.36%	$ 13.37	0.04%
$1-2 billion	5	4.59%	$ 7.83	0.03%
$2-3 billion	5	4.59%	$ 11.88	0.04%
$3-4 billion	3	2.75%	$ 10.08	0.03%
$4-5 billion	3	2.75%	$ 13.53	0.04%
$5-6 billion	3	2.75%	$ 16.19	0.05%
$6-7 billion	5	4.59%	$ 33.16	0.11%
$7-8 billion	2	1.83%	$ 15.53	0.05%
$8-9 billion	0	0.00%	$ -	0.00%
$9-10 billion	2	1.83%	$ 19.56	0.06%
$10-25 billion	10	9.17%	$ 153.84	0.50%
$25-50 billion	3	2.75%	$ 98.11	0.32%
$50-75 billion	2	1.83%	$ 119.91	0.39%
$75-100 billion	0	0.00%	$ -	0.00%
$100-500 billion	6	5.50%	$ 1,176.79	3.80%
> $500 billion	13	11.93%	$ 29,246.57	94.54%
Total	109		$ 30,936.89	

3

April 10th:
What are they complaining about?

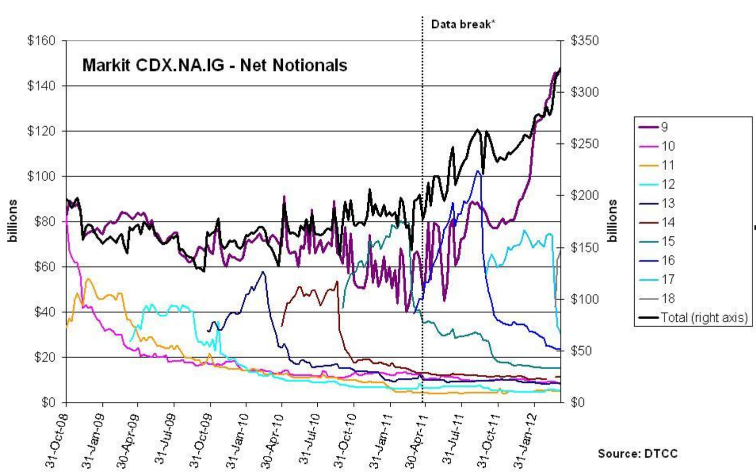
- Bloomberg again:

Authorities will need more information from JPMorgan, *the biggest U.S. bank by assets, to discern the precise purpose of Iksil's transactions, said Clifford Rossi, an executive-in-residence at the University of Maryland's Robert H. Smith School of Business. …*

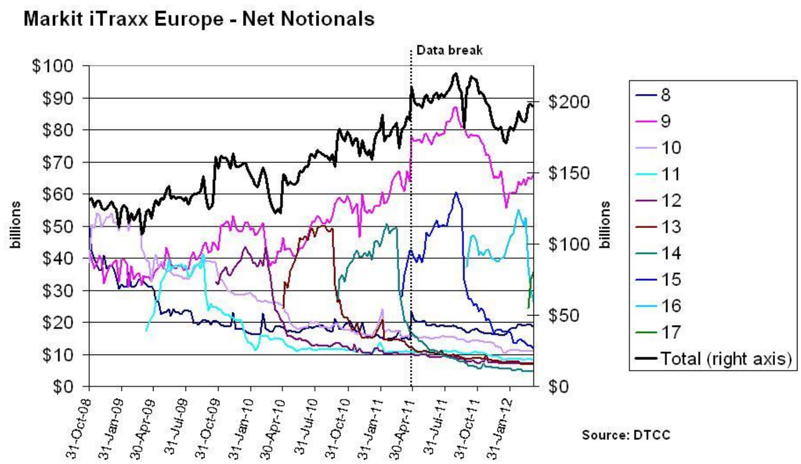
Arthur Levitt, another former SEC chairman who is a senior adviser to Goldman Sachs Group Inc. (GS), said in a radio interview on "Bloomberg Surveillance" that ***he expects regulators will require more information on banks' derivatives positions.***

http://www.bloomberg.com/news/2012-04-09/jpmorgan-trader-iksil-fuels-prop-trading-debate-with-bets.html

April 18th:
Hm, are the hedge funds right?



April 18th:
Hm, are the hedge funds right?



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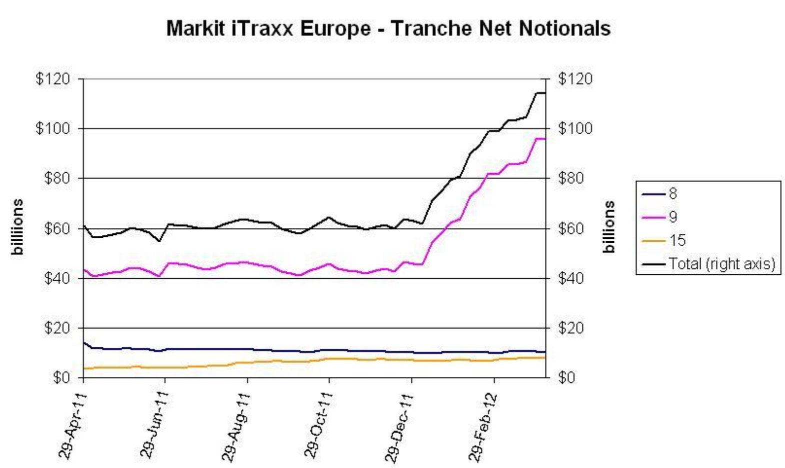
April 18th:
Hm, are the hedge funds right?



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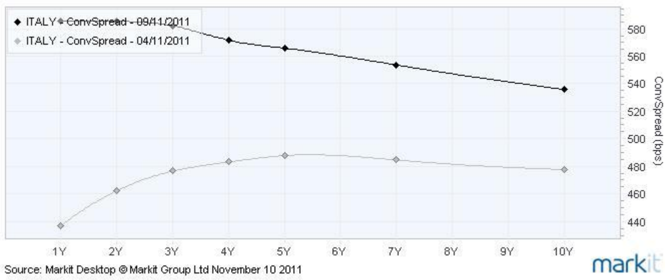
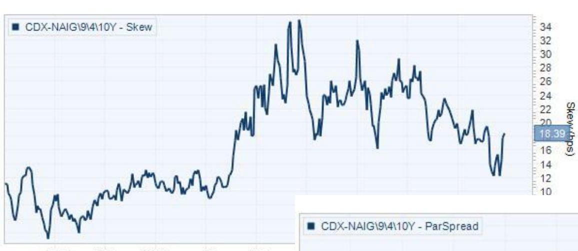
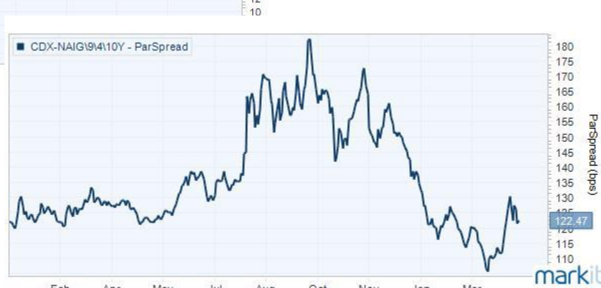
April 19th:
Err, curve trades maybe



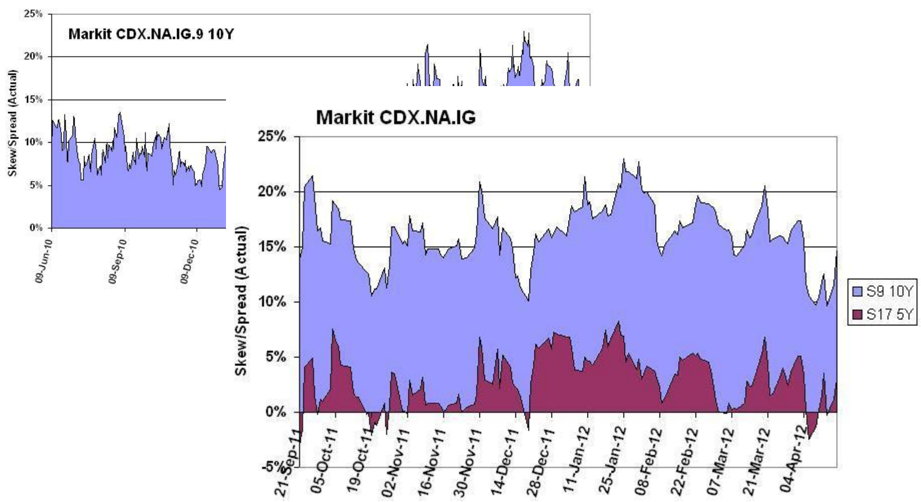
Source: Markit Desktop © Markit Group Ltd November 10 2011

April 19th:
We're sorry, those are big distortions





April 19th:
We're sorry, those are big distortions



May 11th:
JPM announces $2bn loss

- The FT:

JPMorgan Chase announced a surprise $2bn trading loss on credit derivatives trading, which chief executive Jamie Dimon blamed on "errors, sloppiness and bad judgement" and warned "could get worse".

The shock disclosure, made after the market closed on Thursday in a regulatory filing, prompted renewed calls for tougher regulation. Investors reacted by sending the bank's shares down by more than 9 per cent when Wall Street opened on Friday. Other US banking stocks also suffered sharp falls.

http://www.ft.com/cms/s/0/828376bc-9ae4-11e1-94d7-00144feabdc0.html

May 11th:
JPM conference call

- The WSJ:

*On a conference call with analysts, [J.P. Morgan Chief Financial Officer Doug] Braunstein said the positions are **meant to hedge investments the bank makes in "very high grade" securities with excess deposits.** (J.P. Morgan has some $1.1 trillion in worldwide deposits.)*

***Braunstein said the CIO positions are meant to offset the risk of a "stress-loss"** in that credit portfolio. He added the CIO position is made in line with the bank's overall risk strategy.*

http://blogs.wsj.com/deals/2012/04/13/j-p-morgan-a-london-whale-hes-more-of-a-shrubbery/

May 12th:
Data availability

Trade Information Warehouse Data (Section I)

Table 7: All Indices, and Index Tranches 10 contracts or greater (Gross and Net Notional)

Table 7: All Indices, and Index Tranches 10 contracts or greater (Gross and Net Notional)

Week Ending: 2012-05-04

Download Data

Description

All indices reported alphabetically by series where 10 contracts or greater. This table view collapses the on and off the run indices displayed on tables 4 and 5. A
Index/Index Tranche naming convention.

2012-05-04 | One week ago | Four weeks ago | One year ago

Index/Sub-Index/Index Tranche	Product Type	Gross Notional (USD EQ)	Net Notional (USD EQ)	Contracts
CDX.NA.IG.8	Untranched	198,500,678,791	24,440,503,205	561
CDX.NA.IG.9	Tranched	612,330,311,680	64,031,825,100	10,270
CDX.NA.IG.9	Untranched	827,352,079,203	146,454,122,145	2,463
CDX.NA.XO.8	Untranched	4,911,254,847	718,665,778	118
CDX.NA.XO.9	Untranched	1,559,039,214	795,220,347	28

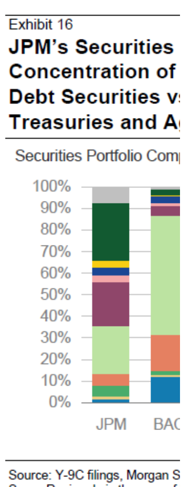
May 16th:
How to bake a $2bn loss cake

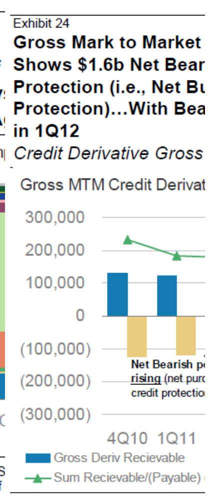
CEO Jamie Dimon:

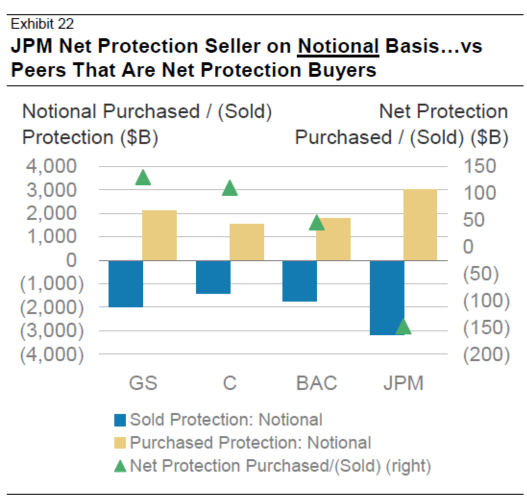
> *There were small [losses] in the first quarter, but real ones that we talked about the $2 billion were all in the second quarter. And it kind of grew as the quarter went on.*

1. Tranches
2. Other, riskier indices
3. Non-standard synthetic credit, whatever that might be

May 21st:
Now it's a $5bn loss?







June 19th:
Meanwhile in DC…

Senator Brown: *Should the OCC have been more focused on synthetic derivatives in hindsight, especially given that they were more large and complex than any other bank in the system?*

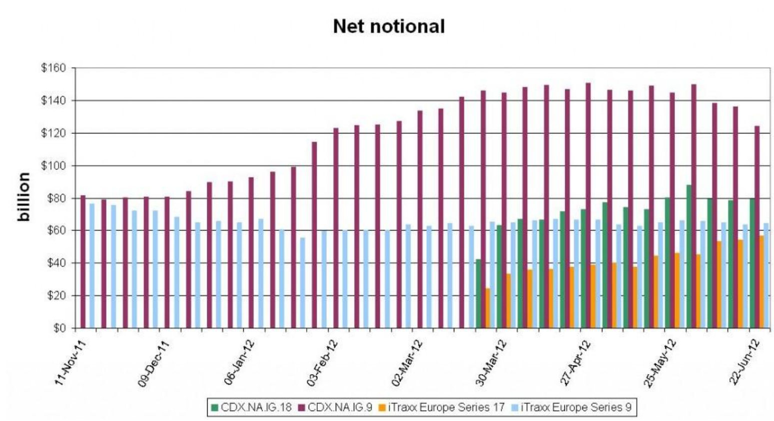
Jamie Dimon: *I think we should have. If they'd stopped us from having this problem, I'd be very happy with that.*

June 27th:
The whale approaches the beach!

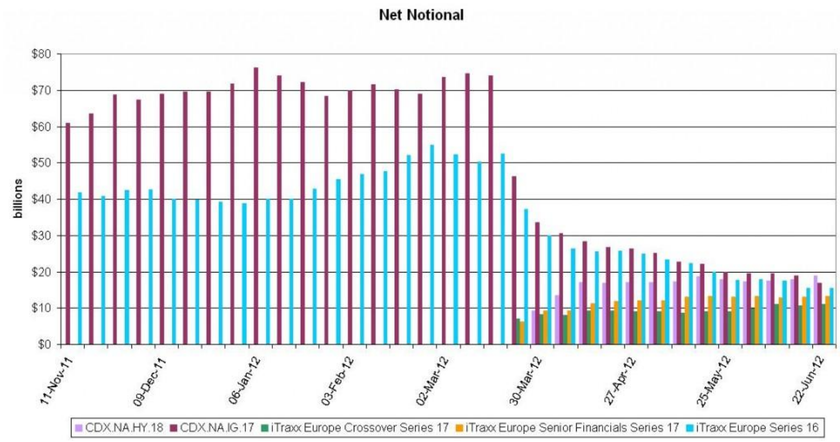
June 27th:
Whale hunting

Section IVb - Index Market Risk Activity			
Week Ending: 2012-06-22			
		Totals	
Reference Entity	**Product Type**	**Gross Notional (USD EQ)**	**Contracts**
CDX.NA.IG.18	Untranched	180,161,924,200	2,986
ITRAXX EUROPE SERIES 17	Untranched	123,988,566,271	3,089
CDX.NA.IG.9	Untranched	36,584,106,858	525
ITRAXX EUROPE CROSSOVER SERIES 17	Untranched	31,970,991,649	2,715
ITRAXX EUROPE SENIOR FINANCIALS SERIES 17	Untranched	30,226,933,133	1,405
ITRAXX EUROPE SERIES 9	Untranched	18,264,214,499	134
CDX.NA.HY.18	Untranched	18,200,003,750	1,505
ITRAXX EUROPE SERIES 16	Untranched	14,887,894,812	165
CDX.NA.IG.17	Untranched	14,802,586,000	174
CDX.NA.IG.9	Tranched	6,672,781,281	142
ITRAXX EUROPE SERIES 9	Tranched	4,677,053,461	175
ITRAXX EUROPE SUB FINANCIALS SERIES 17	Untranched	2,745,893,300	177

June 27th:
Maybe he's here!



June 27th: Or here?



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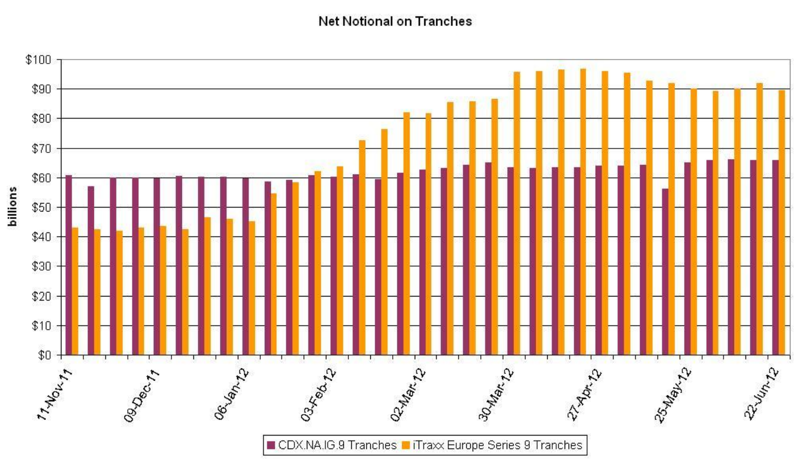
June 27th: Surely here?



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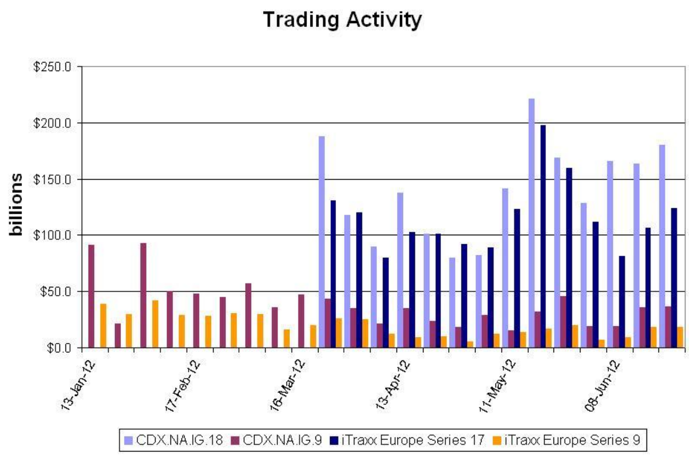
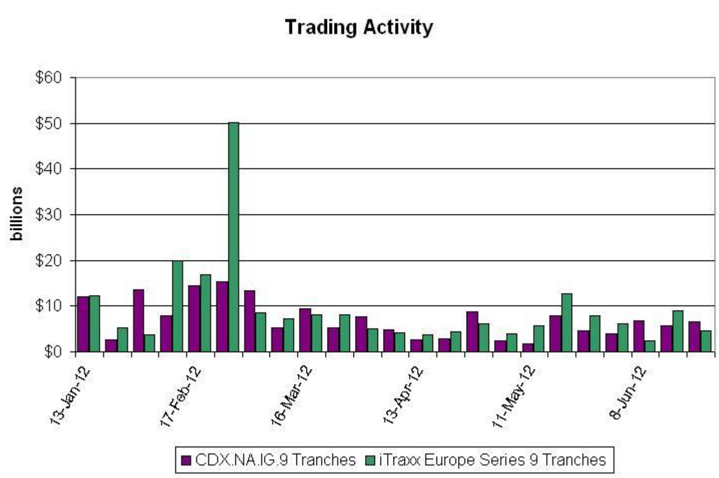
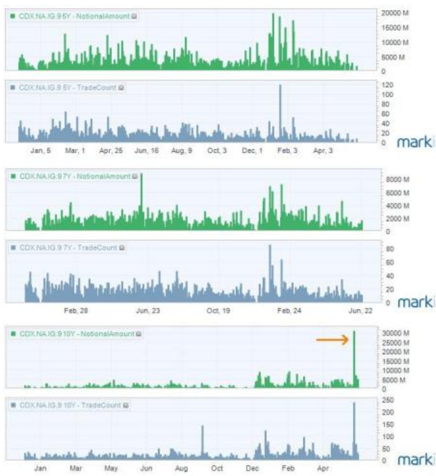
June 27th: Let's try a different way



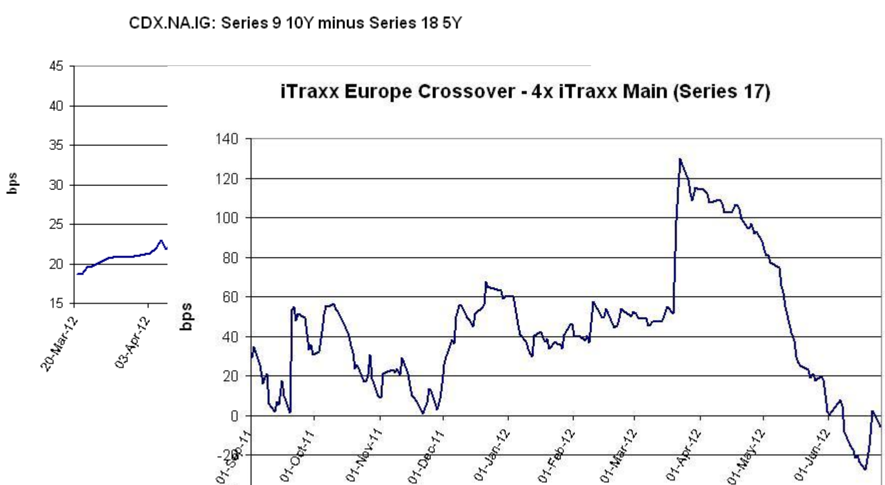
June 27th: Let's try a different way



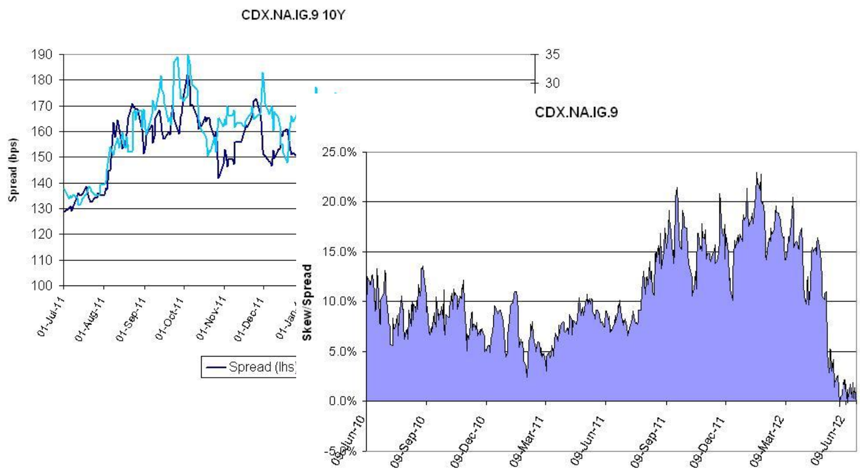
June 27th: Wait a second, what about…



June 27th: But the traders say…



June 27th:
Sure they do!



Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.