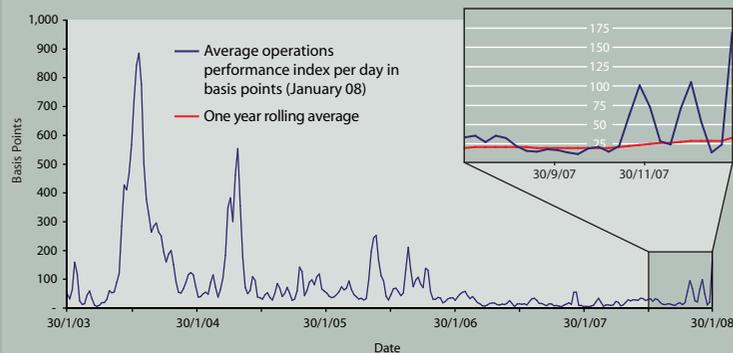
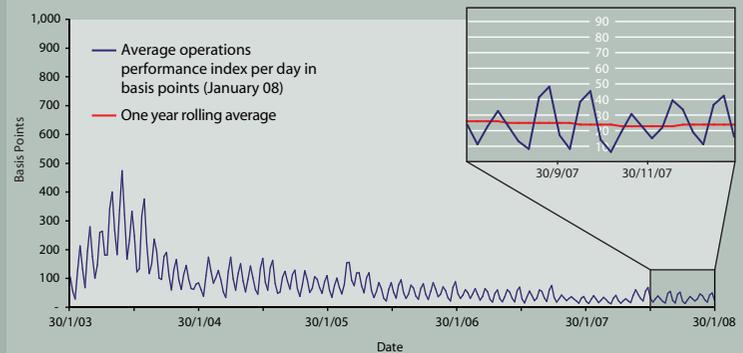


Operations performance indexes

US GOVERNMENT SECURITIES – OPERATIONS PERFORMANCE INDEX (JANUARY 2008)



MORTGAGE-BACKED SECURITIES – OPERATIONS PERFORMANCE INDEX (JANUARY 2008)



The US Government Securities Operations Performance Index ended January at 164 basis points, 120 points above its one-year rolling average, well outside the stable OPERA benchmark performance band. While Government Bond operations continue the deterioration begun in November, the Mortgage Backed Securities Operations Performance Index improved one point to 27

basis points, remaining near its one-year rolling average. The mortgage-backed and other US market operations tracked by Basis Point Group all show surprisingly less volatility than the US Government Securities Market Indexes have since subprime performance challenges began in June.

Bob Fawls, Basis Point Group

Source: BasisPoint Group

Top five op risk loss events in January 2008

1	<p>Loss amount: \$7,156 million Firm: Société Générale BIS event type: Unauthorised activity BIS business line: Trading & sales</p>	<p><i>Société Générale lost \$7.16 billion when junior-level futures trader Jerome Kerviel, using his knowledge of bank computer systems, conducted massive rogue trades in 2007 and 2008. Société Générale's total losses resulted from the bank's unwinding of Kerviel's positions in a poor financial market. The record-setting fraud focused attention on the bank's supervisory and risk management procedures, but Kerviel maintained he had acted alone.</i></p>
2	<p>Loss amount: \$618 million Firm: State Street Corporation BIS event type: Product flaws BIS business line: Asset management</p>	<p><i>State Street Corporation's investment arm took a \$618 million charge for 2007 in anticipation of client lawsuits. Subprime mortgages formed the backing of State Street Global Advisors' fixed-income strategy, resulting in a high level of exposure that appeared at odds with the investment intent of clients.</i></p>
3	<p>Loss amount: \$86.73 million Firm: Cosmos Bank BIS event type: Theft and fraud BIS business line: Commercial banking</p>	<p><i>The former heads of Cosmos Bank arranged fraudulent loans and embezzled money from the bank from 2001 onward, causing an estimated \$86.73 million loss. Chairman Hsu Sheng-fa and vice-chairman Hsu Sen-rong granted illegal loans to companies that they themselves ran, often using greatly inflated land values as collateral. Taiwan's Financial Supervisory Commission was investigating the Hsus.</i></p>
4	<p>Loss amount: \$12.8 million Firm: Visa Incorporated BIS event type: Improper business practices BIS business line: Retail banking</p>	<p><i>Visa agreed to pay \$12.8 million to the state of West Virginia for violating consumer protection laws. The company forced merchants who accepted Visa credit cards to also accept Visa debit cards, meaning merchants passed on fee-related expenses to customers through price increases. Visa and MasterCard had settled with the federal government over anti-competitive charges in 2007.</i></p>
5	<p>Loss amount: \$12.5 million Firm: American International Group BIS event type: Suitability, Disclosure & Fiduciary BIS business line: Insurance (non-BIS)</p>	<p><i>American International Group reached a \$12.5 million settlement to conclude investigations by nine states into the insurer's bid-rigging and price-fixing practices. AIG and its subsidiaries had conspired with brokers such as Marsh & McLennan to submit fake bids to customers, resulting in higher overall premium costs.</i></p>

Source: Algo/OpVantage FIRST database of operational risk case studies.

Criteria: Financial institution operational risk events that closed or settled during January 2008. Market, credit, strategic and non-financial institution events have been excluded from this list.