

**APPENDIX 2**  
**Large Losses from Operational Risk**  
**1992-2002**

**10 Large Operational Losses Affecting Banks and Bank Affiliates**

| <b>Loss #</b> | <b>Amount (\$M)</b> | <b>Firm</b>                                      | <b>Year</b> | <b>Description</b>  |
|---------------|---------------------|--|-------------|---|
| 1             | 1,110               | Daiwa Bank Ltd.                                  | 1995        | Between 1983 and 1995, Daiwa Bank incurred \$1.1 billion in losses due to unauthorized trading.   |
| 2             | 1,330               | Barings PLC                                      | 1995        | A \$1.3 billion loss due to unauthorized trading triggered the bank's collapse.   |
| 3             | 900                 | J.P. Morgan Chase                                | 2002        | J.P. Morgan Chase established a \$900 million reserve for Enron-related litigation and regulatory matters.  |
| 4             | 770                 | First National Bank Of Keystone                  | 2001        | The bank failed due to embezzlement and loan fraud perpetrated by senior managers.  |
| 5             | 691                 | Allied Irish Banks                               | 2002        | Allied Irish Bank incurred losses of \$691 million due to unauthorized trading that had occurred over the previous five years.  |
| 6             | 636                 | Morgan Grenfell Asset Management (Deutsche Bank) | 1997        | A fund manager violated regulations limiting investments in unlisted securities for three large mutual funds. Deutsche Bank had to inject GBP 180 million to keep the funds liquid, with total costs in the matter exceeding GBP 400 million.   |
| 7             | 611                 | Republic New York Corp.                          | 2001        | Republic Bank paid \$611M in restitution and fines stemming from its role as custodian of securities sold by Princeton Economics International, which had issued false account statements and commingled client money.  |
| 8             | 490                 | Bank of America                                  | 2002        | Bank of America agreed to settle class action lawsuits filed in the wake of its merger with NationsBank. The suits alleged omissions relating to its relationship with D.E. Shaw & Co.  |
| 9             | 440                 | Standard Chartered Bank PLC                      | 1992        | Standard Chartered Bank lost \$440M in connection with the Bombay stock market scandal. A government panel charged that the banks involved broke Indian banking laws and guidelines while trading in government bonds, investing money for corporate clients, and giving money to brokers to invest in the Bombay stock market. |
| 10            | 440                 | Superior Bank FSB                                | 2001        | The bank failed due to improper accounting related to retained interests in securitized subprime loans.   |

Note: Loss Amounts are obtained from public sources and are gross loss amounts prior to possible recoveries.