Operator: Your next question is from Mike Mayo with Credit Agricole Securities.

Mike Mayo

Hi.

Jamie Dimon

Hi.

Mike Mayo

How much of the $2 billion trading loss is due to terrible execution which you mentioned versus the environment you seem to be implying none of this is due to the environment?

Jamie Dimon

No, no I'm sorry. I think in hindsight their strategy that execution obviously the environment because these are mark to market positions. So obviously that. I just don't want to make excuses and start talking about market and dislocational stuff like that because that's truly just an excuse.

Mike Mayo

And so would this be a JPMorgan specific issue or is there a chance to others also have some losses on similar positions?

Jamie Dimon

I don't know just because we are stupid doesn't mean everybody else was. I have no idea what the people are doing.

Mike Mayo

And just in real simple terms in six weeks you lost $2 billion so – and as simple as you can simple it what went wrong?

Jamie Dimon
You already mentioned, there're huge moves in the market place, is a – we made this position more complex. The strategy was barely executed, barely monitored. And like I repeated 800 times, I'm not going to get into too more specifics than that.

Mike Mayo

And you mentioned...

Jamie Dimon

But Mike, we will be – I already said, at the end of the quarter we will be talking more about this to satisfy your needs and ours.

Mike Mayo

And you – can you say what recon [ph] this was done and you're not going to disclose any of that?

Jamie Dimon

Global.

Mike Mayo

Global. And what caused you to change the VaR model in the first place? I mean you had something that was working and you changed it.

Jamie Dimon

There are constant changes and updates to models, always trying to get them better than they were before. That is an ongoing procedure.

Mike Mayo

And this is kind of sensitive, but you've – probably just helping the company of having – being great risk managers and this is mistake and you'll – as you say, you'll learn from that. But is there any sense that the mistake made in the CIO office could also be in place where at JPMorgan?

Jamie Dimon

Mike, we operate in a risk business and obviously it puts egg on our face and we deserve any criticism we get, so feel free to give it to us. We'll probably agree with you. But we think we run a pretty good company, with pretty good risk controls and pretty risk management. We are not in a business where we're not going to make mistakes; we are going to make mistakes.
We've always said that, hopefully this small, hopefully few and far between. I'm sorry, could never promise you no mistakes. This one, we will put in egregious category and I understand full why you or anybody else will question us generally.

Mike Mayo

And lastly, just one last follow-up. You said you had some smaller losses in the first quarter whether even in retrospect were there any sings that perhaps you should have paid more attention to looking back?

Jamie Dimon

Yes. In retrospect, yes.

Mike Mayo

What would those be?

Jamie Dimon

Trading losses.

Mike Mayo

Okay. So actually...

Jamie Dimon

There is some stuff in the newspaper and bunch of other stuff.

Mike Mayo

Got it.

Jamie Dimon

Hindsight is -- even in hindsight, it's not 20/20. But with hindsight, yes, obviously, we should have been paying more attention to it.

Mike Mayo

All right. Thank you.
Operator: Your next question is from Chris Kotowski with Oppenheimer.

Chris Kotowski

Yeah. Hi. You said that you still have an $8 billion gain in the AFS securities portfolio. So should we assume that that's the combination of some gains and sort of the plain vanilla investment portfolio securities that you normally have and then a negative position here?

Jamie Dimon

No. The $8 billion – the synthetic credit is mark-to-market. There are no unrealized gains or losses. The AF portfolio is held at cost. The $8 billion is an unrealized gain in the AFS portfolio. And if you go to our 10-Q, you could see exactly where those gains reside as of December 31st.

Chris Kotowski

Okay.

Jamie Dimon

Okay. They're in positions all over from mortgages, etcetera.

Chris Kotowski

All right.

Jamie Dimon

And we can take some of those gains...

Chris Kotowski

Okay.

Jamie Dimon

We can take some of those gains, and we can take them to offset this loss. We can take them because we want to reduce other exposures. But usually, it's tax inefficient. So we're very careful about taking gains.
Chris Kotowski

Right. And so when you said this quarter there was $1 billion of gains and a $2 billion trading loss, the $1 billion of gains, that was in other portfolios. It had nothing to do with these.

Jamie Dimon

No. The $1 billion of gains is in the AFS portfolio. On March 31st, it had an $8 billion unrealized gain. We realized $1 billion of it, bringing it down to $7 billion, but it's higher today than it was then. So it should be something 7-plus right now.

Chris Kotowski

Okay. And I have a feeling, I know the answer, but obviously in a skittish world where people are always worked about exposures to pigs and all these kinds of things and there is always a feeling that one can rarely get the real exposures, is there any way you can draw a box around how big the bread box is and...

Jamie Dimon

I've already done that for you, to the extent I am going to do it.

Chris Kotowski

Okay. Thank you.

Jamie Dimon

You're welcome.

Operator: Your next question is from Keith Horowitz with Citigroup.

Keith Horowitz

Hey Jamie. Thanks for coming clean on this and I think it's important that you did, I guess the question I really had is you are open about the strategy that was poorly monitored, but the real question I guess I had is do you feel that the hedge put on, the position put on, was the intention really to hedge or do you feel like the person you put it on, his intention for profits [ph] or to make sure...

Jamie Dimon

It's been on for a long time, it actually made money. I won't talk about what it did, it actually did quite well. It was there to deliver a positive result in a quite stressed environment and we feel we can do that and make some net
income. And that was—and in the process of changes new environments, new markets and all that, I've already described the outcome.

Keith Horowitz

So we had a stressed environment in terms of credit and so this is where your strategy [ph] didn't work but you feel that as you go back and put money more in quarter back and you look at how the position got so big, do you feel that it was done with the intention of trying to hedge the tail risk for JPMorgan?

Jamie Dimon

I know it was done with the intention to hedge the tail risk for JPMorgan, but I am telling you, it morphed over time and the new strategy which was meant to reduce the hedge overall made it more complex, more risky and it was unbelievably ineffective. And poorly monitored and poorly constructed and poorly reviewed and all that.

Keith Horowitz

Okay. The other thing on that is you had guidance of 200 million per quarter for corporate and its mostly for 2012 but as you kind of think longer term for that business line is that a business line you still think will continue to make money or is this kind of meant to be more just hedge...

Jamie Dimon

It's not a business line for the most part it is net corporate expenses which move around we always give you what we think that number is going to be so you can put in your models. And it's the net income that is not allocated from CIO's portfolio to the businesses. The net income from CIO's portfolio is allocated on the consistent basis and this is the net residual space here. There are also other things in corporate that run through this. You know there is just a lot of things that run through corporate. So as you know the 200 million was its kind of a guidance that bounce around overtime.

Keith Horowitz

And then the last question is I guess when you thought about the business when you took over and you thought about this corporate line business is going to shape up investment office do you feel like the mandate has changed over the last five years or do you feel that the mandate is still the same as it was five years ago?

Jamie Dimon

You know a little change I mean first of all when we got here remember the portfolio went from $150 billion to 300 there were a lot of cash coming in which we had to invest. And we did—I think we improved—I read somewhere that we made it more aggressive I wouldn't call more aggressive I would call better which we added different types of people, talented people and stuff like that. That is what we were supposed to do. We will manage that fixed income portfolio to maximize the returns to the shareholders and we've been very, very careful. So look at all the things we've done we've been very careful. So if you look at all of the things we've done, we've been very careful and, I think, quite successful. And this is obviously not in that category.
Okay. Thank you.

All right. I should point out to all the folks on the phone, you could see – you can go to the 10-Q and see what people have those portfolios. And some banks do some things and some do others, but to invest it in actual [ph] deposits, you buy securities. That's been going on for 100 years in banking.

Operator: [Operator Instructions] Your next question is from Nancy Bush with NAB Research.

Hey, Nancy.

Good afternoon. Obviously, Jamie, the timing of this could not be much worse. And I kind of go back to the Volcker issue. If Dick Durbin stands on the floor of the Senate tomorrow and says this is why we need the Volcker Rule, what's your replay?

It is very unfortunate. But the fact of it is this does not change analyses, facts, detailed argument. It is very unfortunate. It plays right into all the hands of a bunch of pundits out there, but that's like not to do with that.

Okay. Thank you.

Operator: There are no further questions at this time.

Folks, thank you very much. We're sorry to have to call you on a short notice for something like this, but we appreciate you taking the time. Thank you.

Operator: Thank you for participating in today's teleconference. At this time, you may now disconnect.
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February 4, 2013

Zachary I. Schrann, Esq.
Senior Counsel
U.S. Senate Permanent Subcommittee on Investigations
199 Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Schrann:

I am writing to clarify one aspect of my interview with you and others on September 12, 2012, as to which I understand from discussions with my counsel that there may be some misunderstanding.

By way of background, between April 5 and April 13, I received information from a number of sources regarding the CIO/London Whale issue. During that period, I had numerous conversations with Ina Drew, J.P. Morgan’s Chief Investment Officer, members of her London-based team, including CIO’s Chief Risk Officer and Chief Financial Officer, as well as with John Hogan, J.P. Morgan’s Chief Risk Officer. I also reviewed several presentations relating to the CIO’s trading strategy and the status of the Synthetic Credit Book as of April. During the interview, I specifically recalled, and directed your attention to, the “Synthetic Credit Summary: Risk & P/L Scenarios,” an eight-page presentation prepared by the London team, with input from C.S. Venkatakrishnan and Olivier Vigeron in Risk Management. That presentation was provided to me and others on April 11. I specifically recall that I referred to page seven of that presentation as one of the bases for my statement on April 13 that J.P. Morgan was “very comfortable” with the positions, and I directed your attention to the central scenarios included on that page describing an 80% likelihood of a range of outcomes between a loss of $250 million and a gain of $350 million.

I wish to clarify two points. First, I did not state during the interview that I had relied on page seven of the April 11 presentation for my understanding regarding the hedging characteristics of the portfolio. Second, my statements on April 13 regarding those hedging characteristics were references to the portfolio’s design and historical performance as a hedge. I was not commenting on the hedging effectiveness of the portfolio as of April 13.

I hope this information is helpful to you and your colleagues. Please contact Reg Brown (202-663-6430) or Harry Weiss (202-663-6993) if you have any further questions.

Sincerely yours,

Doug Braunstein