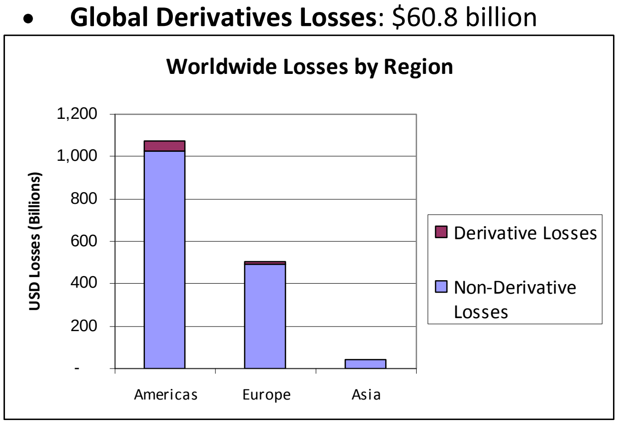
Summary
During the credit crisis, worldwide financial institutions have recognized $1.6 trillion in losses on all types of financial products, including loans, CDOs, asset-backed securities, derivatives, etc. **Of note, less than 4% of such losses were the result of derivatives (more than half of which came solely from AIG).** In fact, of the financial products that resulted in losses for banks, there were 13 other types of products that had a greater impact on bank losses than derivatives.

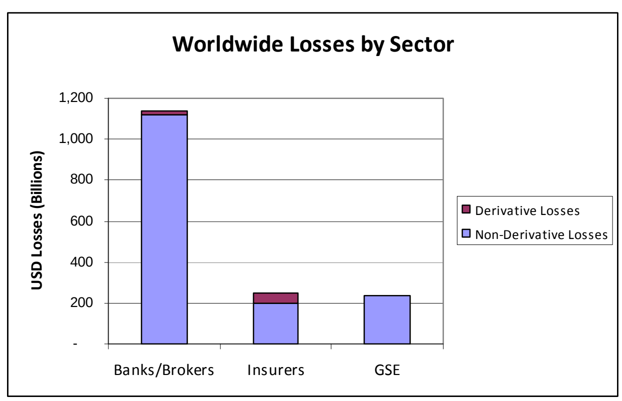
Conclusions

- During the credit crisis, worldwide financial institutions have recognized $1.6 trillion in losses on all types of financial products, destabilizing the worldwide financial system.
    - Less than 4% of such losses were the result of derivatives
    - The US accounted for two thirds of the global losses on all types of financial products
- In the US, derivatives have accounted for less than 5% of total US losses among financial institutions.
    - Of that amount, insurers accounted for 77% of US derivative losses; AIG alone accounted for 76% of all US losses on derivatives
    - Banks/broker losses on derivatives represented less than 1% of their total losses ($5.6 billion out of $628 billion in total losses)
    - Of the financial products that resulted in losses for banks, there were 13 other types of products that had a greater impact on bank losses than derivatives
- The OCC offers the following commentary in its quarterly report on derivatives explaining the low incidence of loss on derivatives. *"The low incidence of charge-offs on derivatives exposures results from two main factors: 1) the credit quality of the typical derivatives counterparty is higher than the credit quality of the typical C&I borrower; and 2) most of the large credit exposures from derivatives, whether from other dealers, large non-dealer banks or hedge funds, are collateralized, typically by cash and/or government securities, on a daily basis."*

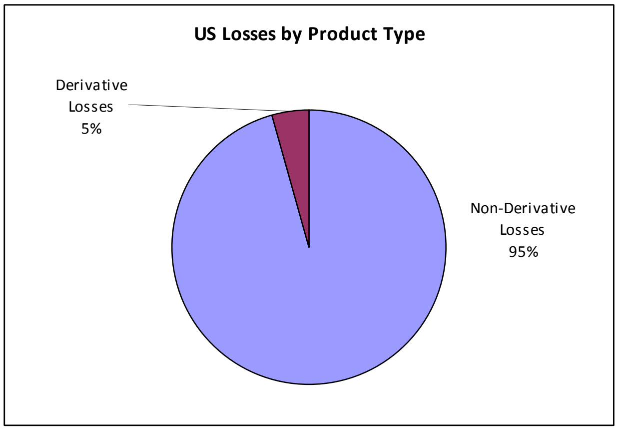
Detailed Statistics
Data includes losses during the credit crisis (3Q 2007 through and including any losses reported as of 9/18/09)

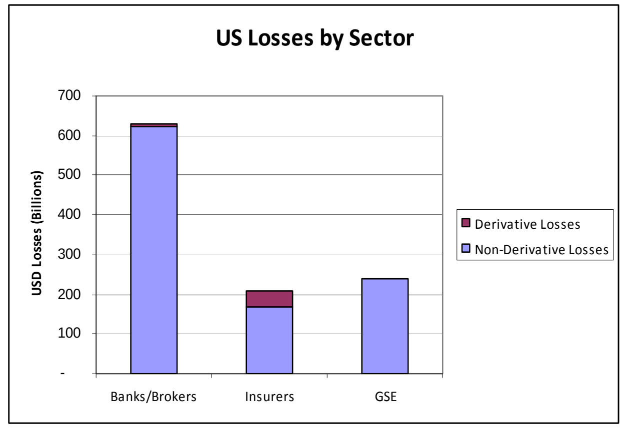
- **Global Losses at Financial Institutions**: $1.62 trillion in losses on all financial products (including loans, CDOs, etc.)
- **Global Derivatives Losses**: $60.8 billion





- **US Losses at Financial Institutions**: $1.08 trillion in losses on all financial products (including loans, CDOs, etc.)
- **US Derivatives Losses**: $49.0 billion





- $628 billion of *US* losses were from banks/brokers
  - $5.6 billion of those losses were from derivatives (1.2% of total US losses)
- $248 billion of *US* losses were from insurance companies
  - $43.4 billion of those losses were from derivatives (20.6% of total US losses)
    - $37.2 billion of those losses were from AIG (3.5% of total US losses; 76% of total US derivatives losses)
- $238 billion of *US* losses were from GSEs (Fannie/Freddie)
  - $0 billion of those losses were from derivatives (0% of total US losses)

Source: Bloomberg 9/18/09, WDCI Function