

Breakfast Mtg

Mr. WANG Dongming (“Ch W-ong”) Ch + CEO CITIC Sec’s		“Mr. YIN” Ke CEO CITIC Sec’s Int’l	“Donald” TANG Advisor CITIC Sec’s	
<ul style="list-style-type: none"> • LB Cov’g: ZZ, Charles Zhou • Fees: \$0 w/ CITIC Sec’s • RSF Hist: (1) Met Wang 5/07 in mtg w/ Ch Kong – Others N/R • Other Connections: – Kong = Ch CITIC Grp (parent CITIC Sec’s) – JSB + ZZ at 2/08 dinner – <u>Ch Wang ≠ Wang Jun (fmr Ch CITIC Grp)</u> – Donald has rel w/ Hank Greenberg 		Co Info <ul style="list-style-type: none"> • CITIC Sec’s (“CS”) = leader in China's domestic sec’s ind + largest publicly traded sec’s firm – CS Int’l = sub of CS; Int’l sec’s bus • Bus incl IB, retail brokerage, research, fund mgmt, etc • <i>Asiamoney's</i> ‘07 Best EQ House in China • >1,400 emps (~350 in IBD + 460 in retail brokerage) • Revs: \$4.5B • Mkt Cap: \$23B • NI: \$2B 		
Ch Wang Bio <ul style="list-style-type: none"> • Prior CITIC: sr exec other Chinese sec’s firms incl: – Huaxia Sec’s – Southern Sec’s • Dir of other CITIC entities 	Mr Yin Bio <ul style="list-style-type: none"> • Joined CITIC Cap ‘03 as dir • ‘06: CEO of CS Int’l after CITIC Cap sold its sec’s bus to CS • Imp person in fnd’g China’s sec ind • 90’s: Helped est Shenzhen Stk-X 	Donald Tang Bio <ul style="list-style-type: none"> • Fmr VC BS • ‘93 appt’d Pres + CEO BS Asia • Prior: sr positions at LB + ML • US citizen; born in Shanghai • Ch, Asia Society of S California 		
LB Deals Done <ul style="list-style-type: none"> • ‘07: LB bkr CITIC Bank’s \$6B IPO – CS jt bkr along w/ LB + 3 others 	LB Current / Pending <ul style="list-style-type: none"> • LB + CS good working rel → no fees directly from CS RSF Pending: (pts for CITIC Group → not relevant)			
Background <ul style="list-style-type: none"> • CITIC Sec’s trying find int’l IB’g partner to grow its int’l bus, particularly in Asia • Late ‘07: Annnc’d strategic tie-up w/ BS – Involved X-S/H’g + est pan-Asia JV (CS + BS each would hold 50% of JV) • BS bot by JPM → CS cont’s look for partners – <u>Want know if LB interested forming strategic p’ship</u> • 7/18: Skip told ZZ re pot’l interest from CS • (2) 7/22: ZZ met w/ Ch Wang; 7/24: JSB + ZZ met w/ Ch Wang to further disc • CS proposed following structure: – X-S/H’g: CS buys over ~20% LB shares. LB buys smaller stake in CS (see attached) – Form Asia JV: CS owns 33-50% of JV – China JV: LB assumes 33% stk in CS’ IB-only franchise • (3) Strategic P’hip Analysis (incl deal structure + key considerations) attached 				
<ul style="list-style-type: none"> • RSF: Good see you again Ch Wang ⁽¹⁾ • Know u met w/ Jesse + ZZ re strat p’ship ⁽²⁾ • Disc views on: – US sec’s ind → challenges + oppty’s – LB’s strat initiatives: p’ships, B/S, etc • To Ch Wang: – Q: Ur thoughts on CS’s future directions + int’l expansion plan? – Q: What CS’s strat objectives in forming strat p’ship w/ an int’l bank? 				

- **Disc proposed deal structure** ⁽³⁾

CITIC Securities

“Ch Wang” Dongming
Ch + CEO

OPEN:

- RSF: Good see Ch Wang

DONE:

- Jt bkr w/ CS on CITIC Bank IPO

“Mr. Yin” Ke
CEO
CITIC Sec’s Int’l

PTS:

- Met Jesse + ZZ
- Views
 - US sec’s ind
 - LB strat initiatives
- To Ch Wang:
 - Q: Future + int’l expansion plan?
 - Q: Strat objectives p’ship?
- Deal structure

“Donald” Tang
Advisor

8/4/08