

Unofficial transcript translated from Chinese. Accuracy cannot be guaranteed.

1. How do you evaluate government's decision to let Lehman fail one year later?

Leo M. Tilman: I believe that it was a major policy mistake that truly aggregated financial system at that time and allowed the financial crisis to affect the real economy. If Lehman could have been saved, along the lines of Bear Stearns or AIG, the impact on growth and employment would have been smaller, and the terrible global panic would have been avoided.

2. In retrospect, what could have been done to make things better in this one year time period?

Tilman: The nationalization of Fannie Mac and Freddie Mac was another big policy mistake where other things could have been done. Common and preferred stocks of Fannie and Freddie Mac were wiped out, and a lot of financial institutions had tremendous losses on their holdings on Fannie and Freddie Mac. This, on one hand, paralyzed preferred stock market, and financial intuitions couldn't get more capital in that market. On the other market, it resulted in big losses for financial institutions. They had to either sell assets or recapitalize in other ways.

3. Where are we now? Has the economy recovered?

Tilman: The worst seems be certain over, although access to credit remains very tight. Economy is recovering. Now the attention is shifted to the kind of recovery we will get. In my view, that recovery will be lackluster. The global economy seems to be recovering better than the U.S., particularly in emerging markets. I am concerned the broad scene of the recovery, the budget deficit, the dollar, and potential inflation pressures may create significant problems down the road. One of the main areas on my current advisory work deals with the nature of the coming recovery, attendant uncertainties, and potential large shocks to the financial system in the future.

4. For all the things that caused the crisis, have you seen these things been changed in this one year time period?

Tilman: Financial institutions are back in the environment where will be become increasingly under pressure to take risk to deliver earnings. In this aspect, very little been changed since pre-crisis. Companies that originally said they will not be in risk taking business might be doing that because their competitors are making a lot of money. In my mind, some companies will learn valuable lessons, reorganize themselves and have better risk management, However, in general, it

seems that very few lessons have truly been learned. Very little has been done to prevent this kind of crisis from happening again.

5. People are very frustrated on Wall Street's compensation policy. It seems still business as usual.

Tilman: If business model has not fundamentally changed. As the result, little will change, in my mind, on compensation policy because compensation is the reflection what generates earnings. If financial institutions still have the same activities, the same management, and the same clients, incentives are unlikely to fundamentally change.

6. The crisis is a shock for everyone but seems we didn't learn enough from the crisis and not so much has been changed?

Tilman: So many lives have been affected; so much wealth has been destroyed. Yet many organizations didn't learn the most important lessons, making it likely that they will get into trouble again.

7. How do you evaluate Paulson and Bernanke's handling of the crisis?

Tilman: I think Bernanke has done an increasingly good job. As the crisis progress, I feel Bernanke's monetary policy and other actions reflected lessons learned, with their effectiveness improving. They started providing the right solutions as different problems emerged. I give Bernanke and his Fed very high grades in this regard.