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**Subject:** Dow Jones: Korea FSC: KDB, Lehman Investment Talks Have Ended

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UPDATE: Korea FSC: KDB, Lehman Investment Talks Have Ended  
By Jin-Young Yook  
Dow Jones International News  
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South Korea's Financial Services Commission Chairman Jun Kwang-woo said Tuesday that talks between state-run Korea Development Bank (KDV.YY) and Lehman Brothers Holdings Inc. (LEH) have ended.

The two companies have been discussing the possibility of KDB taking a stake in Lehman but Korean regulators had been cautious about the deal.

Jun told Dow Jones Newswires that the talks were now over, but he declined to say what conclusions, if any, had been reached.

"There will be other opportunities (for KDB)," said Jun.

Separately, another government official, who declined to be named, told Dow Jones Newswires that although KDB had seriously considered investing in Lehman, it has decided not to.

KDB officials declined to comment.

On Monday, Jun cautioned against KDB's plan to buy a stake in Lehman as the timing wasn't good. He said KDB can review opportunities for investing in a global investment firm after its privatization gets underway. But he stopped short of saying that the talks had officially ended.

The FSC, which oversees KDB's operations, plans to hive off KDB's policy finance operations and transform it into a private global investment bank within five years.

Earlier Tuesday, KDB Chief Executive Min Euoo-sun told a group of reporters that it wouldn't be appropriate to comment on how the talks to acquire a stake in Lehman were proceeding. But he said KDB could still become one of Asia's top three investment banks even without Lehman.

Min, who previously headed Lehman's Korean operations, reiterated that the drop in share prices of global financial institutions provided "good timing" for KDB's global expansion strategy in the next couple of years.

"To start with, we will enter the Asian market, including China and Southeast Asia, to position ourselves as a leading bank of Asia. Then, we will expand our presence to the Americas and Europe," Min said in a speech delivered at a forum.

He added that KDB will acquire competitive financial institutions.

Korea daily Chosun Ilbo, reported last week that KDB had sent a proposal to Lehman to buy 25% of the U.S. investment bank for as much as \$5.3 billion.

KDB later confirmed it was talking with Lehman on a possible stake investment deal and that it was trying to form a consortium of private investors to jointly invest in Lehman.

But all major financial institutions in South Korea - Kookmin Bank, Woori Finance Holdings, Shinhan Financial Group and Hana Financial Holdings - said that they weren't interested in joining a consortium to invest in Lehman due to economic uncertainties on the local front, spurring speculation that KDB wouldn't go ahead with the plan.

It has been a terrible year for the 158-year-old Lehman. Its shares have tumbled almost 80% since January amid concerns about sizable mortgage holdings in its portfolio, and it has been trying to find suitable investors from foreign ground to save the firm.

Merrill Lynch & Co. drastically reduced this week its earning estimates for the bank, predicting the company would post a loss of \$6.50 a share, or \$4.6 billion, much wider than an earlier third-quarter loss estimate of \$3.94 a share.

Lehman is looking at spinning off some of its real estate assets into a separate company and is also seeking bidders for its investment-management unit, which includes the profitable asset manager Neuberger Berman.

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