From: Carrier, Michael
Sent: Tuesday, September 02, 2008 6:27 AM
To: Schorr, Glenn; Murray, Keith-A
Subject: RE: Woori FG--Can they justify buying a stake in Lehman?

Yeah, it was in the journal on Friday that they were the front runner, but not willing to budge

-----Original Message-----
From: Schorr, Glenn
Sent: Tuesday, September 02, 2008 6:25 AM
To: Carrier, Michael; Murray, Keith-A
Subject: Re: Woori FG--Can they justify buying a stake in Lehman?

Fyi
Heard over the weekend that KKR is the buyer of Neuberger (from my goldman ibd guy)
G

Sent from my BlackBerry Wireless Handheld

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----- Original Message -----
From: Carrier, Michael
To: Schorr, Glenn; Murray, Keith-A
Cc: Carrier, Michael
Sent: Tue Sep 02 06:22:47 2008
Subject: RE: Woori FG--Can they justify buying a stake in Lehman?

Yeah, here's the KDB article in the journal...

Korea Development Bank Confirms
It Is in Talks to Invest in Lehman
By JIN-YOUNG YOOK
September 2, 2008 3:57 a.m.

SEOUL -- Korea Development Bank Tuesday said it is in talks to invest in Lehman Brothers Holdings Inc., bringing to an end weeks of speculation about the state-run lender's intentions.

KDB's public-relations team confirmed a local media report, quoting Chief Executive Min Euoo Seung, who said investment talks are under way.

Mr. Min said that KDB is in talks with domestic banks to form a consortium that will invest in Lehman Brothers. He added that there are differences over the investment price for Lehman, which makes it difficult to predict how the talks would proceed. The public-relations team didn't elaborate on the level of potential investment or the size of the stake KDB might acquire.

Lehman has declined to comment.

Lehman was the largest underwriter of mortgage bonds before the subprime market collapsed. It lost the confidence of investors in the past year as it struggled to pare debt holdings.

Analysts say the New York investment bank is likely to incur a net loss of more than $2 billion and write-downs of more than $3 billion in the third quarter, putting Chairman and Chief Executive Richard Fuld Jr. under pressure to shore up the firm's financial condition by the time Lehman reports its results in mid-September.

South Korea's top four banking institutions said Tuesday they aren't reviewing plans to invest in Lehman. Spokespeople at Kookmin Bank, Hana Financial Holdings and Shinhan Financial Group said they aren't in a position to review investment in Lehman due to growing economic uncertainty in South Korea.

Separately, the Korea National Pension Service said it hasn't looked into a possible investment in Lehman and that there isn't any plan to do so. "We haven't been contacted by Lehman Brothers either, which some are suspecting," Kim Moonsoo, senior investment officer at National Pension Service, said.

State-owned Woori Finance Holdings said last week that it wasn't interested in Lehman Brothers, and that it would look at smaller banks with global presence in Europe.

A source close to Korea Investment Corp. said that Lehman Brothers contacted KIC in June, but no progress has been made. Also, KIC isn't interested in increasing its strategic investments, which includes a stake in Merrill Lynch & Co. Inc.

South Korea's Financial Services Commission Chairman Jun Kwang Woo said early last week that he was aware KDB was considering the possibility of investing in a global investment bank that has suffered a severe drop in valuation due to the U.S. subprime crisis.

Mr. Jun said that, due to the high risks involved, the government or a state-run institution shouldn't play a main role in the potential takeover of a global investment bank as a financial investor.

"Generally speaking, I think there would be a problem if a public company was the leader in such deal. The private sector should be the main player and the public sector should act as a cheerleader," Mr. Jun said. He didn't specify what the cheerleader role would be and didn't respond when asked if that role could be of a lead manager helping a group of private South Korean institutional investors.

-----Original Message-----
From: Schorr, Glenn
Sent: Tuesday, September 02, 2008 6:17 AM
To: Murray, Keith-A; Carrier, Michael
Subject: Fw: Woori FG--Can they justify buying a stake in Lehman?

Doesn't say much except its hard for them to put too much $ in
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Sent from my BlackBerry Wireless Handheld

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----- Original Message -----
From: Madsen, Laurence
To: Coffey, John-P; Schorr, Glenn; Dowd, Sean; Sabel, Lindsay
Sent: Tue Sep 02 06:09:59 2008
Subject: Fw: Woori FG--Can they justify buying a stake in Lehman?

----- Original Message -----
From: Wadle, John
Sent: Tue Sep 02 06:03:21 2008
Subject: Woori FG--Can they justify buying a stake in Lehman?

Woori's stock fell 6.2% today following press report on Lehman
Press reports indicate Woori, Hana and/or Shinhan may join KDB in buying a ~25% stake in Lehman. Woori's stock dropped 6.2% today to W12,600 marking a

3-year low and putting the stock on 0.7x 2008E P/B, lowering its mkt cap to $9.0 bn (from a peak of $22 bn) and free float mkt cap to $2.4 bn as KDIC owns 73%.

A 25% stake in Lehman may cost $3-6 bn
Lehman's current mkt cap is only $11 bn; however, a 25% stake may cost $3-6 bn as there may be a premium as the stock only trades at 0.5x P/B. Lehman will

announce 3Q08 results in the next 2 weeks. Reasons Woori may be more likely to be involved with KDB include (i) KDB's CEO Mr. Min used to be Woori's CFO

and head of Lehman Korea, (ii) KDIC still controls 73% of Woori so indirectly gov't influenced, and (iii) they can afford $1-2 bn if terms are deemed attractive.

Woori can only justify investing up to W2.0 tr if it disposes of assets
We believe Woori can only afford to invest a maximum of 15% of its group equity or W2.0 tr ($1.75 bn) in Lehman (no dividends, while a strategic stake is hard to

monetize). To justify investing up to W2.0 tr we believe Woori needs to be clear about disposing of its holdings in Hynix (valued at W0.6-0.8 tr) and Hyundai E&C

(valued at W0.85-1.0 tr).
Valuation: we value Woori at only 1.0x P/B due to poor core ROA
We value WFG at W17,900 which is based on only 1.0x P/B given its poor core ROA of 0.6%, aggressive SME loan growth in past 2-3 years and unprofitable nonbank

operations.

See attached report.

<<Woori--Can they justify Lehman.pdf>>

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