

SEPTEMBER 2008

DISCUSSION MATERIAL

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Update on the KDB's discussion with Lehman Brothers

JPMorgan have been in discussion with Korea Development Bank and related regulatory authorities for the acquisition of Lehman

Date	Meetings with JPMorgan	Discussion topics
Mid August, 2008	<ul style="list-style-type: none"> ST Lim, Director General of Financial Services Commission 	<ul style="list-style-type: none"> Rare opportunity to acquire a sizable global IB Can be transformational acquisition to upgrade Korean financial industry overall Need to reduce potential risk of KDB as a 100% government-owned financial institution
End of August 2008	<ul style="list-style-type: none"> BY Park, Chief Economic Secretary to the President of Korea (Blue House) 	<ul style="list-style-type: none"> Define asset quality of mortgage-related asset through intensive due diligence Seek FRB support Share the risk with private financial institutions in Korea/US

- KW Chun, Chairman of Financial Services Commission, mentioned at press conference, August 25th that KDB should team up with private financial institutions or private equity funds to acquire Lehman

Current negotiation between KDB and Lehman

- Lehman would like to revoke the discussion with KDB unless both parties reach an agreement by September 10th
- Currently, Mitsubishi UFJ and HSBC are believed to be in discussion with Lehman as well
- Other than KDB's financial advisor, Perella Weinberg, JPMorgan is the only investment bank that KDB is in discussion regarding this transaction, according to KDB

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Advantages and considerations: Acquisition of Lehman Brothers

Advantages

- Rare opportunity to strongly position in the investment banking industry
- Acquisition of global investment bank would act as a key milestone for Korean financial industry and strengthen its objective of becoming the "Northeast Asian Financial Hub", a key national agenda for past six years
- Co-investment with a US financial institution or private equity fund may reduce acquisition risk and draw some level of concession/back-step from Fed on further asset deterioration
- Lehman brand
- Reportedly, Lehman prefers KDB as buyer

Considerations

- Uncertainty on mortgage-related assets quality
- May face difficulties to comply with US regulatory authorities
- Unclear path to the control and hard to leverage the know-how of Lehman
- High level of "key man risk"
- KDB's lack of experience as an acquirer

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