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The Story of How Lehman's Last-Minute Korean Rescue Fell Apart

By Deal Journal
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Korea Development Bank's attempt to buy a sizable stake in Lehman Brothers Holdings might have staved off the investment bank's bankruptcy filing, but the two companies were nowhere close to agreeing on a price for a deal, the Korean bank's top executive said Tuesday.

Min Euoo-sung, KDB's chief executive, said his bank proposed buying a stake in late August that was larger than the 25% reported at the time. The two companies even agreed on a restructuring schedule that would reduce KDB's exposure to some of Lehman's problem mortgage assets by February, Min told local reporters. And when that was done, terms for a final deal would be set.

But the two companies were far apart on price, with KDB offering just a third of what Lehman was seeking, he said, though he wasn't more specific. "As the gap between Lehman and KDB didn't get smaller, it was not a situation that we could risk," Min said.

He said local concerns constrained KDB's ability to come closer to the price Lehman sought, as KDB still is a government-owned and operated bank and regulators and politicians had little appetite for seeing KDP pay a lot for Lehman.

In recent years, South Korean leaders have developed ambitions to boost the country's banking industry to global level, including privatizing KDB and making its Daewoo Securities subsidiary a full-service investment bank. The prospect of buying a big stake in Lehman offered a shortcut to that goal in the eyes of many South Koreans.

Min said KDB will keep an eye out for other acquisition targets to lift its investment banking capabilities. Without Lehman, his goal is to complete KDB's privatization and position itself as one of the leading investment banks in Asia. "The fastest way to achieve that is with M&A," he said.

--SungHa Park is a Wall Street Journal reporter in Seoul.

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